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Taxation Policy (ACCMTP)
March 25, 1999

**The Hamilton-Wentworth Economy:
Profile and Prospects**

Clayton Research



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The Hamilton-Wentworth Economy: Profile and Prospects

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The Regional Municipality of Hamilton-Wentworth

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EXECUTIVE SUMMARY

As the 21st century rapidly approaches, municipalities in Ontario, the rest of Canada and indeed throughout the world are assessing their future prospects for economic growth and development.

The Regional Municipality of Hamilton-Wentworth (hereafter referred to as "Hamilton-Wentworth" or "The Region") is no exception. As input into developing a strategy to ensure its future economic viability, Clayton Research Associates Limited was commissioned to prepare this economic profile of Hamilton-Wentworth.

The key findings of the analysis and their implications are summarized below.

KEY FINDINGS

- **The Hamilton-Wentworth economy has underperformed the Ontario average since the early 1980s**

Hamilton-Wentworth posted no net gain in jobs between 1981 and 1996, a time when the Ontario-wide average annual rate of job growth was 1.6%. As a result, Hamilton-Wentworth's share of total Ontario employment fell from 4.8% in 1981 to 3.9% in 1996.

- **And has fared the poorest of the competitive markets examined**

Among the 15 Southern Ontario markets considered in this analysis, Hamilton-Wentworth exhibited the poorest job creation rate over the 1981-1996 period as a whole.

- **Restructuring in the steel industry was an important factor**

The massive job losses in the steel industry - one of Hamilton-Wentworth's most important sectors - played an important role in its underperformance. This situation was exacerbated by restructuring in the manufacturing sector in general, and the broader economic slowdown in the early 1990s. While restructuring in the steel industry was hard on the local economy, it was necessary to maintain competitiveness and guarantee the longer-term survival of this industry in the Hamilton area.

- **The smaller municipalities have fared better than the City of Hamilton**

The relatively weaker longer-term job performance of the Hamilton-Wentworth economy since 1981 was focused in the City of Hamilton, where the restructuring in the steel sector played a major role. Each of the other five Hamilton-Wentworth municipalities posted impressive job growth over the 1981-1996 period, in most cases well above the Ontario-wide growth rate.

- **Some recovery has taken place since 1996**

Benefiting from a low dollar, low interest rates and a buoyant U.S. economy, the Hamilton area economy has posted improvement over the past two years.

- **The Ontario economy is poised for relatively healthy growth through 2006**

The Ontario economy is positioned to experience relatively buoyant growth in the period through 2006. While 1999 is expected to be an adjustment year after the buoyancy of 1997 and 1998, solid growth in real GDP and employment in the 3 percent and 2 percent range, respectively, is expected on average per year in the 2000-2006 period.

- **The primary metals sector is expected to continue to underperform in job growth**

While some positive growth is expected Ontario-wide in jobs in the primary metals sector over the 1996-2006 period, the rate of growth is projected to lag the average for all sectors.

Business services are expected to lead in terms of both relative job creation rates and the absolute number of jobs being created. While the communications sector is expected to post the strongest output growth, the "high tech" nature of this sector indicates the gains will be due to productivity gains, not by the net addition of more workers to the sector.

- **Hamilton-Wentworth's relative performance will depend on the extent to which it can capitalize on its competitive advantages, and reduce its disadvantages**

While Hamilton-Wentworth underperformed in terms of job growth in the past, this does not mean that it will continue to do so in the future. Hamilton-Wentworth's relative performance will depend on the extent to which it can capitalize on its competitive advantages, and reduce its disadvantages.

- **Hamilton-Wentworth has several factors that make it an attractive place to do business relative to other major Ontario markets**

There are several factors which make Hamilton-Wentworth an attractive place to do business within Southern Ontario, such as its lower cost of living, lower construction and electricity costs, its proximity to key markets, its expanding road network and its full range of major transportation facilities.

- **But it also has competitive disadvantages to overcome**

There are other factors, however, which detract from Hamilton-Wentworth's competitiveness, such as, in general, relatively higher labour costs/lower productivity and higher realty taxes. While labour costs/productivity are not directly under the control of The Region and its municipalities, realty taxes are.

IMPLICATIONS FOR HAMILTON-WENTWORTH

- **The potential for attracting new business to the Region is there - but so too are the risks of losing existing businesses**

The foregoing analysis indicates that there will be some opportunities for Hamilton-Wentworth to attract new business to the Region, or expansions among existing businesses, particularly in the manufacturing and business services sectors. These opportunities will be realized if Hamilton-Wentworth can develop strategies to build on its competitive advantages.

However, because of its competitive disadvantages with respect to some factors, there are also risks that Hamilton-Wentworth could lose some existing businesses to markets that compare more favourably. Any strategies developed to ensure the Region's future economic health, therefore, need to take a "two-pronged" approach (i.e. attract new businesses, while retaining existing businesses). Those initiatives that can benefit both new and existing businesses would have the most beneficial impact.

- **Targeted efforts are required to maximize the opportunities and minimize the risks**

Targeted efforts will be required on the part of the Regional Municipality of Hamilton-Wentworth to maximize the potential opportunities and minimize the potential risks. The development of specific strategies is beyond the scope of this study. However, these efforts should focus on:

- how best to build on Hamilton-Wentworth's existing strengths; and
- ways in which cost or other disadvantages which fall within the Region's control can be reduced/removed.

- **A first step in devising a strategy to build on Hamilton-Wentworth's existing strengths is to identify which types of businesses can take the most advantage of these strengths**

An initial initiative that might be undertaken to build on existing strengths would be to identify those "high opportunity" sectors which rely more heavily on the factors for which Hamilton-Wentworth has a competitive advantage. For example, it was shown that there will be opportunities to attract new manufacturing to the area. Rather than efforts targeted generally at manufacturing, it might be more productive to focus on those types of manufacturing that have higher relative costs related to those costs for which Hamilton-Wentworth has a comparative advantage (such as electricity costs), or a greater reliance on the other factors where Hamilton-Wentworth has a competitive advantages (e.g. distance to markets, port and International airport facilities, etc.). With this information, any initiatives could be structured to target these particular subsectors by extolling the specific advantages of Hamilton-Wentworth specifically for that subsector.

- **The first step that can be taken to reducing business costs that are under the control of the Region is to look at the potential for reducing realty taxes**

The first step in devising a strategy to reduce or eliminate the cost differentials between Hamilton-Wentworth and other Southern Ontario markets should be related to realty taxes. Reduced realty taxes present one of the best opportunities for increasing Hamilton-Wentworth's attractiveness in the short term.

As shown earlier, realty taxes in Hamilton-Wentworth are typically higher than in the other competitive markets examined, and put it at a disadvantage in terms of its attractiveness as a place to do business. Realty taxes are currently one of the key differentiating factors between markets in Southern Ontario. Moreover, it is a cost which has a negative perception associated with it - businesses simply do not like to pay taxes.

Realty taxes are within the control of the Regional Municipality of Hamilton-Wentworth and its local municipalities. As such, they offer a direct opportunity for enhancing the Region's attractiveness to business. Of course, reducing realty taxes has implications on the revenues of the Region, which will also need to be taken into consideration.

The first steps in assessing reductions in realty taxes might include:

- **Conduct a study of businesses to determine the actual importance of realty taxes in their cost structure and location decision-making:** the KPMG study did not find realty taxes to be a key contributor to on-going business costs for the types of larger businesses analyzed. However, it might be a more important cost factor for smaller businesses. Moreover, because of the negative view of taxes in general, they may play a relatively more important role than cost structure alone would suggest in the location decision-making process. Discussions with local businesses, as well as some other businesses who had considered Hamilton-Wentworth but ultimately decided not to locate in the region, might help to pinpoint the exact role that realty taxes play in the decision-making process. Care, however, would have to be taken to ensure that the results represent what businesses actually do, rather than what they say they did or would do.
- **Undertake an examination of the Region's costs relative to the other competitive markets:** Realty taxes can only be reduced if costs are reduced. The Regional Municipality of Hamilton-Wentworth is currently examining how its costs compare with other jurisdictions, which will help to pinpoint areas where there may be potential for cost savings.
- **Investigate the role reduced realty taxes may have played elsewhere in attracting/retaining businesses:** if reduced realty taxes encourage more businesses to locate in the Region, then there will be increased tax revenues from these new businesses which will help to offset lower general tax rates. An investigation of what has occurred in other municipalities which have lowered tax rates could provide some guidance as to what Hamilton-Wentworth might expect in terms of attracting new businesses, as well as retaining existing ones.

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INTRODUCTION

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THE COMPOSITION OF HAMILTON-WENTWORTH

Hamilton-Wentworth is located in Southern Ontario, adjacent to the southwest shore of Lake Ontario (Figure 1) . The Region is comprised of six local municipalities (1996 Census of Canada population in parentheses):

- Ancaster (23,403)
- Dundas (23,125)
- Flamborough (34,037)
- Glanbrook (10,564)
- Hamilton (322,352)
- Stoney Creek (54,318)

The total population of Hamilton-Wentworth in 1996 was 467,799. Just over two-thirds of the Region's population resides in Hamilton (Figure 2).

THE KEY COMPONENTS OF THE ECONOMIC PROFILE

The economic profile is divided into the following main areas of analysis, each with a corresponding chapter in this report:

- **Chapter 1: The Structure of the Hamilton-Wentworth Economy**

This part of the analysis develops a profile of the Hamilton-Wentworth economy, and looks at its role within the larger Ontario economy, as well as its recent performance relative to selected other "competitive markets" in Southern Ontario.

Figure 1

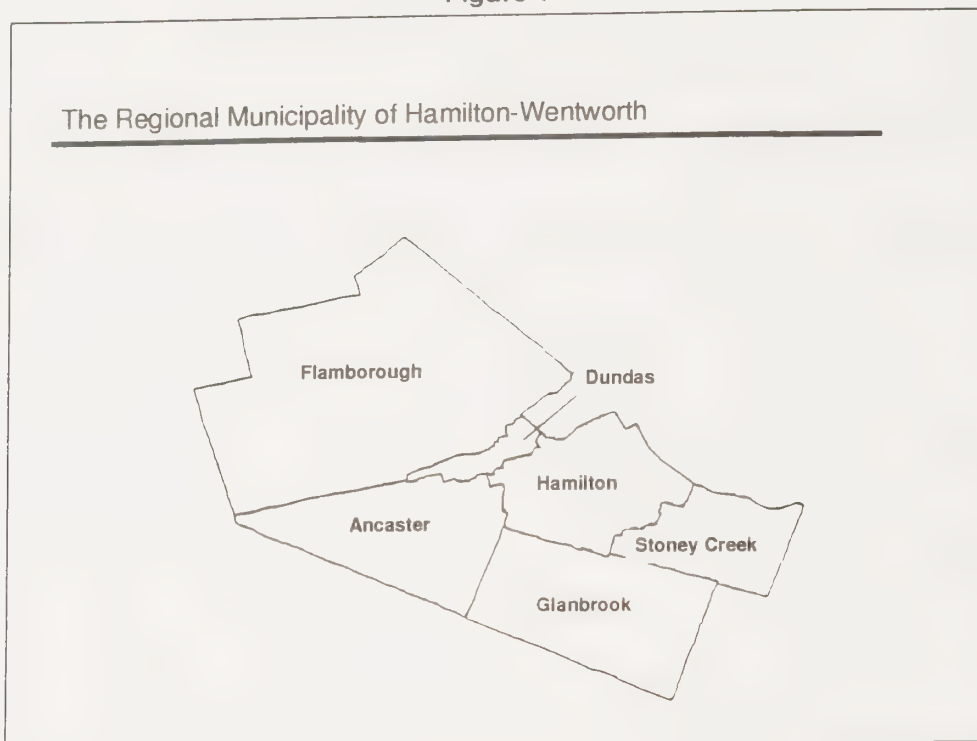
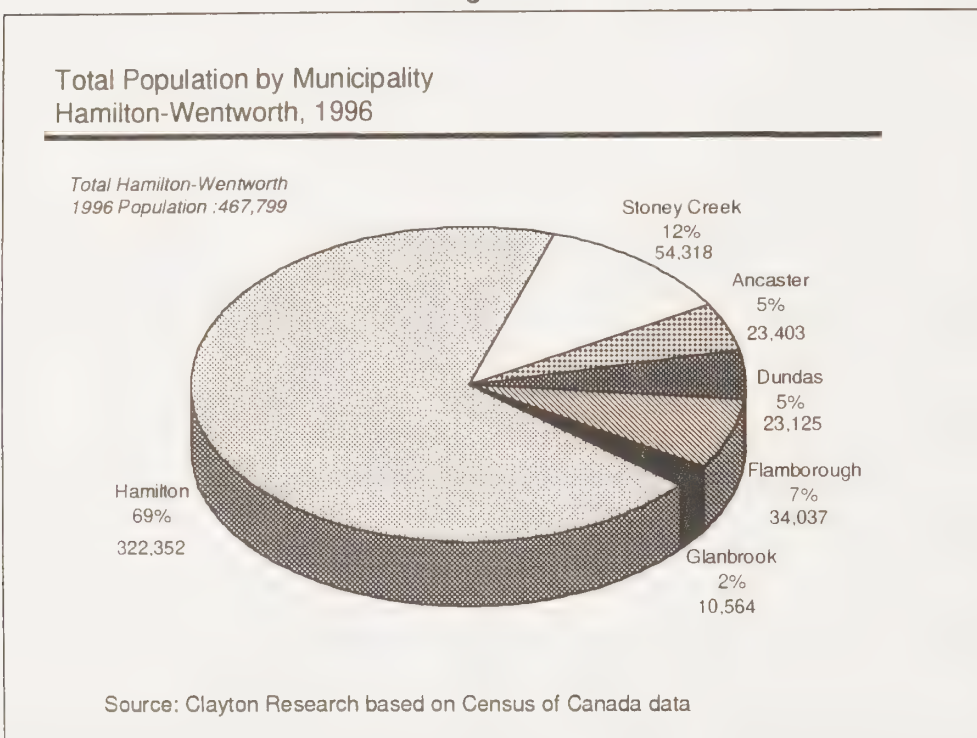


Figure 2



- **Chapter 2: Outlook for the Ontario Economy by Sector**

Hamilton-Wentworth's future economic prospects will in large part be dependent on Ontario-wide economic growth patterns. This section of the analysis considers the global and national trends which will influence the degree and shape of growth in Ontario, as well as factors specific to the province itself. A key part of this analysis is the assessment of relative growth patterns by sector.

- **Chapter 3: Hamilton-Wentworth's Competitive Strengths and Challenges**

Hamilton-Wentworth's future economic prospects also will be dependent on its ability to compete with other markets, and attract its share of Ontario growth. In this section of the study, Hamilton-Wentworth's competitive position vis-à-vis selected competitive markets in Ontario is assessed.

- **Chapter 4: Prospects for the Hamilton-Wentworth Economy**

Based on the assessment of future growth in Ontario by sector, and Hamilton-Wentworth's competitive position, Hamilton-Wentworth's future growth prospects are assessed.

- **Chapter 5: Summary of Key Findings and Implications**

The key findings of the analysis are summarized, as well as their implications for Hamilton-Wentworth.

THE COMPETITIVE MARKETS

The following 14 Ontario local municipalities were selected for inclusion in the competitive analysis (1996 Census of Canada population in parentheses):

- Brantford (84,764)
- Burlington (136,976)
- Cambridge (101,429)
- Guelph (95,821)
- Kitchener (178,420)
- London (325,646)
- Mississauga (544,382)

- Niagara Falls (76,917)
- Oakville (128,405)
- Oshawa (134,364)
- Ottawa (323,340)
- St. Catharines (130,926)
- Toronto (2,385,421)¹
- Windsor (197,694)

The location of these local municipalities within Ontario is shown on Figure 3.

Unless otherwise specified, data presented in the report are at the level of the local municipality. In some instances, however, where municipal level data are not available, data for the larger Census Metropolitan Area (CMA) or Census Agglomeration (CA) is used. The larger CMAs/CAs which incorporate the municipalities under consideration in this study are as follows (the proportion of the CMA/CA accounted for by the municipality, based on 1996 population, is shown in parentheses):

- | | |
|------------------------------------|------------------------------|
| • Hamilton-Wentworth: ² | Hamilton CMA (75%) |
| • Brantford: | Brantford CA (85%) |
| • Burlington | Hamilton CMA (22%) |
| • Cambridge | Kitchener-Waterloo CMA (26%) |
| • Guelph | Guelph CA (91%) |
| • Kitchener | Kitchener-Waterloo CMA (47%) |
| • London | London CMA (82%) |
| • Mississauga | Toronto CMA (13%) |
| • Niagara Falls | St. Catharines CMA (21%) |
| • Oakville | Toronto CMA (3%) |

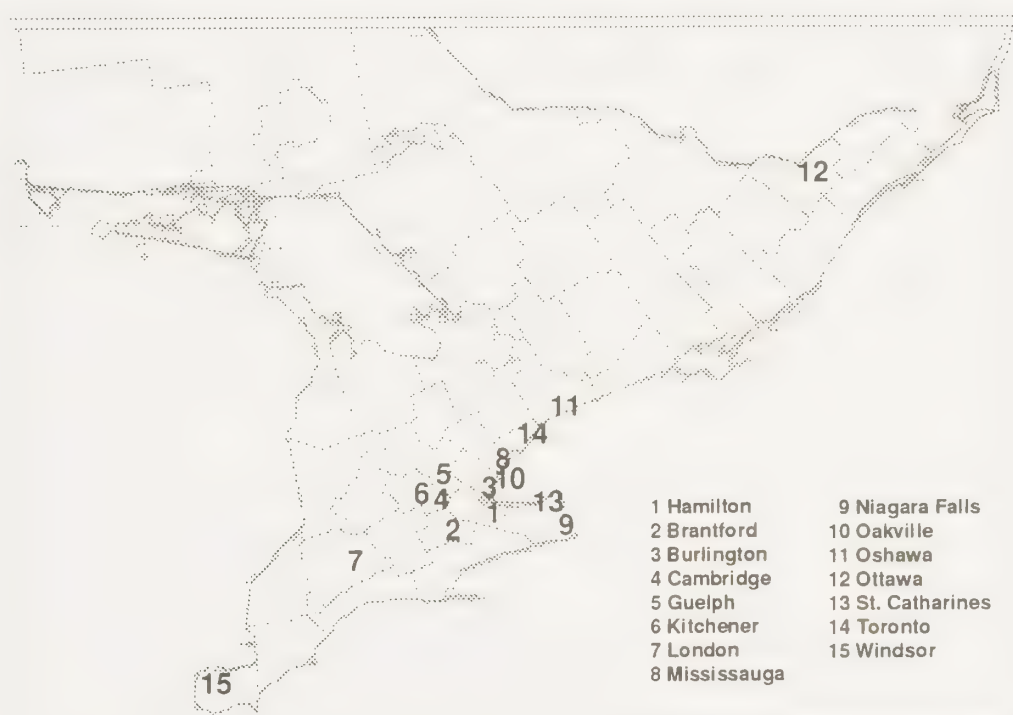
¹ Unless otherwise indicated "Toronto" in this study refers to the new "Megacity", which includes the six former municipalities of the City of Toronto, Scarborough, East York, North York, York and Etobicoke (Metropolitan Toronto).

² The Hamilton CMA incorporates the 6 municipalities within Hamilton-Wentworth, as well as Burlington and Grimsby

- Oshawa Oshawa CMA (50%)
- Ottawa Ottawa CMA (42%)
- St. Catharines St. Catharines CMA (35%)
- Toronto Toronto CMA (56%)
- Windsor Windsor CMA (71%)

Figure 3

The Selected Competitive Markets



INFORMATION SOURCES

The study draws on a variety of information sources, including:

- The Regional Municipality of Hamilton-Wentworth
- Economic development and planning departments of the local markets examined in the competitive analysis
- Census of Canada
- Statistics Canada
- Colliers International
- Royal LePage
- Clayton Research's in-house information base

AN IMPORTANT NOTE ON PLACE OF WORK VS. PLACE OF RESIDENCE EMPLOYMENT

Employment in a municipality can be measured in two ways:

- **Place of residence:** the number of residents in a municipality who are employed (this is sometimes also referred to as the “employed labour force”);
- **Place of work:** the number of jobs located in the municipality (often referred to as “employment by place of work”).

The focus in this study is on **place of work** employment - that is, the number of jobs actually located in Hamilton-Wentworth and the selected competitive markets.

There are two key sources of employment data: the Census of Canada and the Labour Force Survey. The Census of Canada data provides information on both place of work and place of residence employment - both in total and by industry.³ Unfortunately, however, the information is only available at 5 year intervals, and generally is not available until about 2 years after the reference year.

Statistics Canada's monthly Labour Force Survey provides more timely information, but it measures only place of residence employment. Also, data are not published at a local municipal level, but rather only for CMAs or larger “economic regions”. As well, these data are based on much smaller samples sizes than

³ Note that place of work employment by industrial sector has only been available since the 1991 Census.

the Census data; as a result, employment may fluctuate substantially from one month to another, particularly for smaller markets.

The analysis in this study is based primarily on the Census employment data, although the Labour Force Survey data are used to show more recent broad annual trends.

STUDY LIMITATIONS

The analysis in this report is based on Clayton Research's best assessment of current and future economic prospects for Hamilton-Wentworth based on information available in early 1999 and the scope of the assignment in terms of budget and timing.

Figure 4

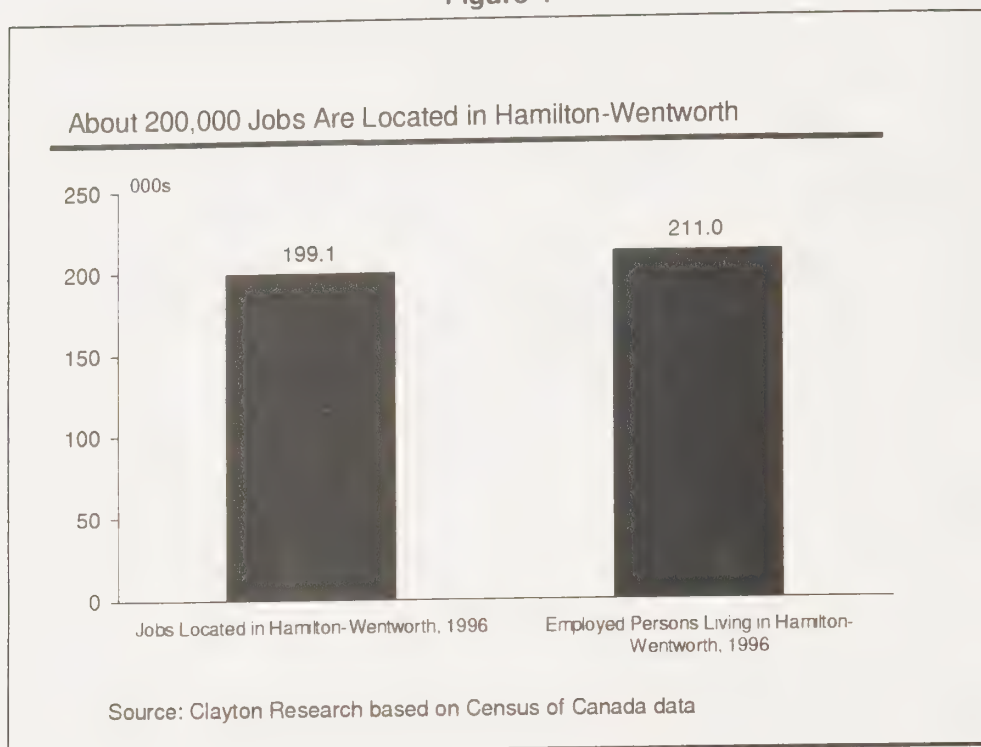
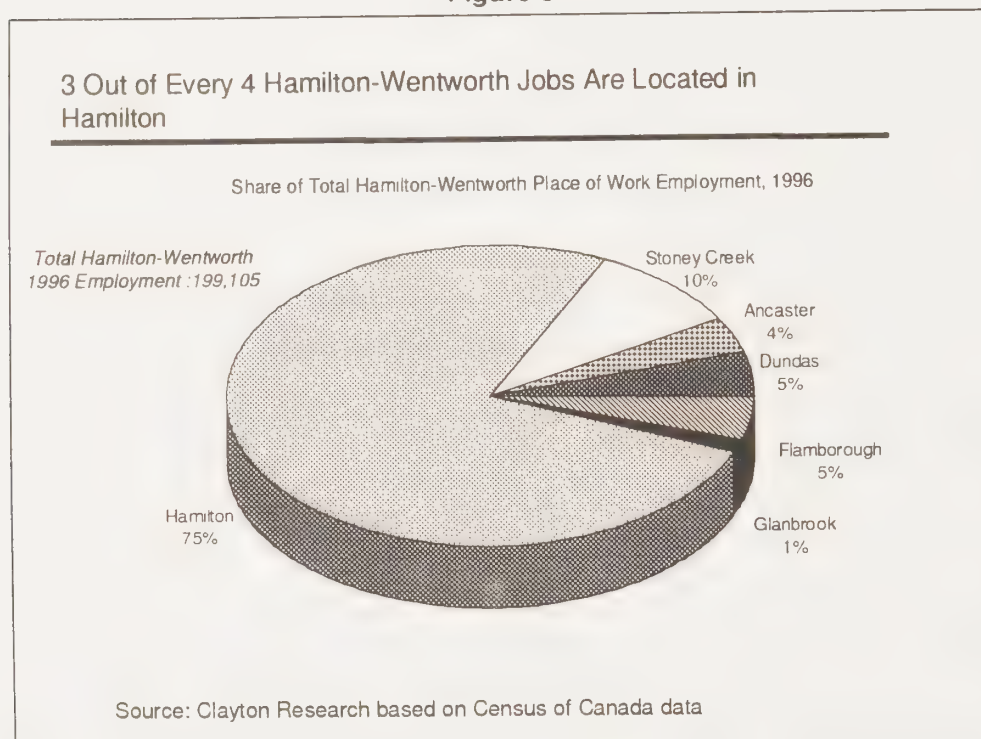


Figure 5



CHAPTER 1: THE STRUCTURE OF THE HAMILTON-WENTWORTH ECONOMY

This part of the analysis looks at the structure of the Hamilton-Wentworth economy, including its role within the larger Ontario economy, as well as its performance relative to selected other "competitive markets" in Southern Ontario.

OVERVIEW OF THE HAMILTON-WENTWORTH ECONOMY

This section provides a snapshot of the Hamilton-Wentworth economy at present.

About 200,000 Jobs Are Located in Hamilton-Wentworth

In 1996, there were an estimated 199,100 jobs located within Hamilton-Wentworth (Figure 4) - or about 1 in every 25 Ontario-wide jobs. About 3 out of every 4 Hamilton-Wentworth jobs are located in the City of Hamilton (Figure 5).

Hamilton-Wentworth is a Net Exporter of Labour

The number of employed persons living in Hamilton-Wentworth in 1996 was somewhat higher than the number of jobs located within the region - 211,000 compared to 199,100 (Figure 4). This means that Hamilton-Wentworth is a net exporter of labour to other markets, although the amount is relatively small.

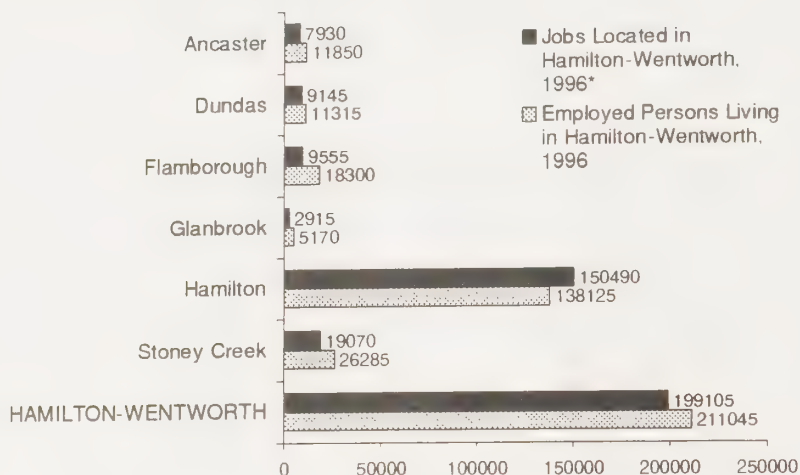
Hamilton is the only local municipality that is not a net exporter of labour (Figure 6) - that is, there are more jobs located in Hamilton than there are employed persons living in Hamilton. For some Hamilton-Wentworth municipalities, such as Flamborough and Glanbrook, the gap between the number of jobs located in the municipality and the number of employed residents is substantial.

Looking more closely at Hamilton-Wentworth 1996 commuting patterns (Figure 7 and Figure 8):

- 166,000 persons both lived and worked in Hamilton-Wentworth - this means that over 80 percent of Hamilton-Wentworth jobs are filled by local residents;
- 33,000 persons commuted in to work in Hamilton-Wentworth from areas outside of the Region;
- 45,000 Hamilton-Wentworth residents commuted out of Hamilton-Wentworth to jobs located outside of the Region;
- There is extensive commuting within Hamilton-Wentworth - that is, persons who live in one of the region's municipalities but work in another. Only one-third or less of residents of the 5 smaller Hamilton-Wentworth municipalities are actually employed in their own municipality.

Figure 6

Hamilton is the Only Hamilton-Wentworth Municipality That is a Net Importer of Labour

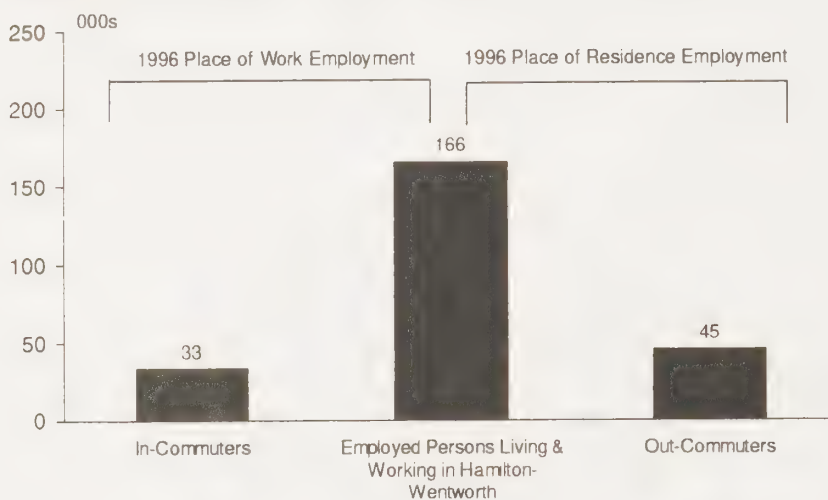


* Includes "work at home" and "no fixed workplace"

Source: Clayton Research based on Census of Canada data

Figure 7

More than 4 out of 5 Hamilton-Wentworth Jobs Are Filled by Local Residents



Source: Clayton Research based on Census of Canada data

Figure 8

COMMUTING PATTERNS, HAMILTON-WENTWORTH, 1996

Place of Work	Place of Residence								Total POW
	Ancaster	Dundas	Flam- borough	Glanbrook	Hamilton	Stoney Creek	Hamilton- Wentworth	All Other	
	Number of Employees								
Ancaster	3,520	335	265	145	2,295	235	6,795	1,135	7,930
Dundas	425	3,360	655	45	3,165	340	7,990	1,155	9,145
Flamborough	175	425	6,165	45	1,110	145	8,065	1,490	9,555
Glanbrook	70	25	10	1,570	685	95	2,455	460	2,915
Hamilton	5,225	4,595	3,050	2,175	97,960	12,505	125,510	24,980	150,490
Stoney Creek	195	145	235	310	6,555	7,730	15,170	3,900	19,070
Hamilton-Wentworth	9,610	8,885	10,380	4,290	111,770	21,050	165,985	33,120	199,105
All Other	2,245	2,435	7,925	885	26,355	5,240	45,085		
Total POR	11,855	11,320	18,305	5,175	138,125	26,290	211,070		
% Distribution of Employment (Place of Work) by Where Employee Lives									
Ancaster	44	4	3	2	29	3	86	14	100
Dundas	5	37	7	0	35	4	87	13	100
Flamborough	2	4	65	0	12	2	84	16	100
Glanbrook	2	1	0	54	23	3	84	16	100
Hamilton	3	3	2	1	65	8	83	17	100
Stoney Creek	1	1	1	2	34	41	80	20	100
Hamilton-Wentworth	5	4	5	2	56	11	83	17	100
% Distribution of Employed Labour Force (Place of Residence) by Where Employee Works									
Ancaster	30	3	1	3	2	1	3		
Dundas	4	30	4	1	2	1	4		
Flamborough	1	4	34	1	1	1	4		
Glanbrook	1	0	0	30	0	0	1		
Hamilton	44	41	17	42	71	48	59		
Stoney Creek	2	1	1	6	5	29	7		
Hamilton-Wentworth	81	78	57	83	81	80	79		
All Other	19	22	43	17	19	20	21		
Total	100	100	100	100	100	100	100		

Source: Clayton Research based on 1996 Census of Canada data

- In general, the majority of residents in each Hamilton-Wentworth municipality work in Hamilton. The exception is Flamborough, where a relatively large proportion of residents commute outside the region (primarily to areas within the Greater Toronto Area).

Hamilton-Wentworth Has A Diversified Economy

Although Hamilton-Wentworth is still perceived as being primarily a manufacturing centre, in reality the region has developed a very diversified economic base. In fact, the composition of the Hamilton-Wentworth economy by sector - as measured by the number of jobs in each sector - is broadly similar to the overall Ontario patterns (Figure 9).

The broad service sector - which includes business services, government, education, health and welfare, accommodation, food and beverage, as well as other services - accounts for just under half of Hamilton-Wentworth jobs. Within the service sector, health and social services comprises the single largest group.

However, with over 1 in 5 jobs in this sector, manufacturing is the single largest sector in the Hamilton-Wentworth economy, and is slightly more important to the Hamilton-Wentworth economy than the province as a whole.

The Primary Metal Industry Accounts for About 1 in 4 Manufacturing Jobs

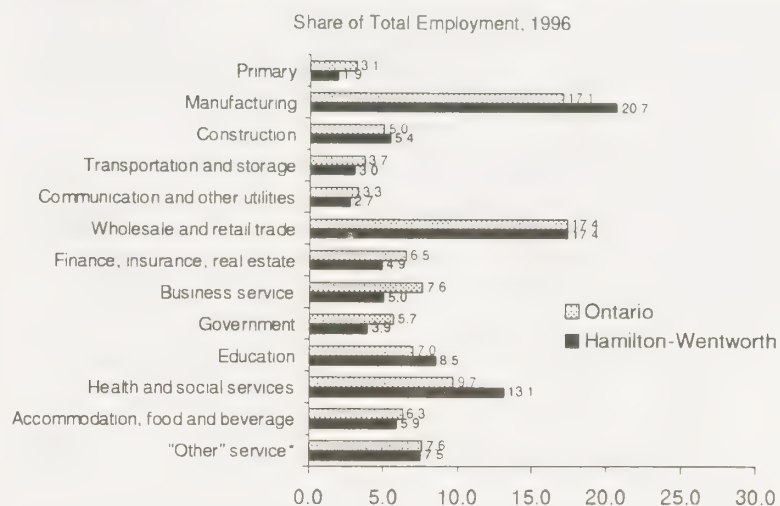
Census data is not readily available which breaks Hamilton-Wentworth manufacturing employment down by more detailed type of business. However, data is available which shows the employed labour force (i.e. place of residence rather than place of work employment) in the larger Hamilton CMA (i.e. including Burlington and Grimsby).

These data show that the primary metal industry is the largest single manufacturing sector, accounting for about 1 in 4 manufacturing jobs (Figure 11). The primary steel subgroup dominates the primary steel industry, accounting for over 90 percent of its employment (this is the subgroup to which Stelco and Dofasco belong).

Among the other top 5 manufacturing industries in Hamilton-Wentworth are transportation equipment, fabricated metal products, food and beverage industries and electrical and electronic products. Together with primary metal, these industries account for about two-thirds of manufacturing employment in the Hamilton area.

Figure 9

Hamilton-Wentworth Has a Diversified Economy

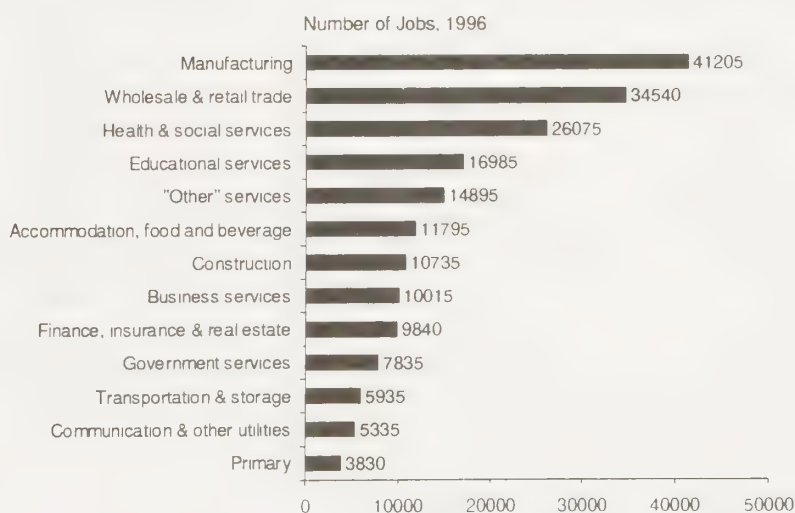


* Includes amusement/recreation, personal/household, member organizations, etc.

Source: Clayton Research based on Census of Canada data

Figure 10

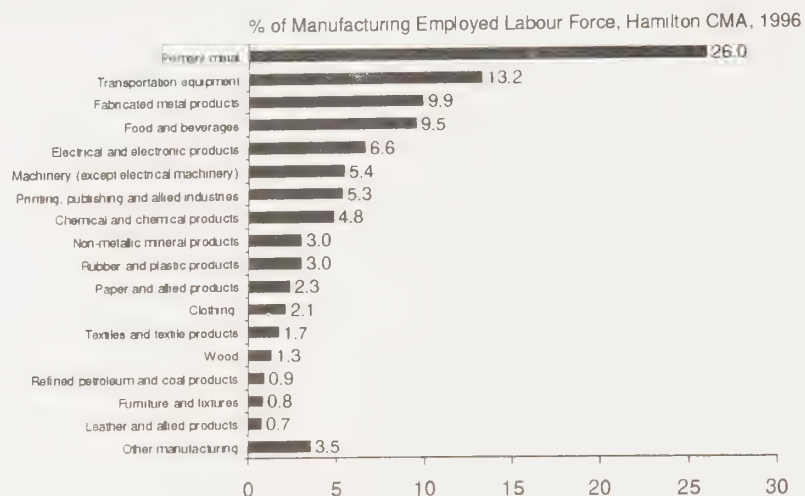
But Manufacturing Still is the Single Largest Job Sector in Hamilton-Wentworth



Source: Clayton Research based on Census of Canada data

Figure 11

Primary Metal Industry Accounts for About One-Quarter of Manufacturing Employment in the Hamilton Area



Source: Clayton Research based on Census of Canada data

Figure 12

MAJOR EMPLOYERS, HAMILTON-WENTWORTH, AS OF MID 1998

Rank	Employer	Number of Employees*	% of Region's Employment**	Major Sector
1	Stelco	7,800	3.9	Manufacturing
2	Hamilton Health Sciences	7,200	3.6	Health Services
3	Dofasco	7,000	3.5	Manufacturing
4	Hamilton-Wentworth District School Board	6,800	3.4	Educational Services
5	City of Hamilton	3,750	1.9	Government
6	McMaster University	3,650	1.8	Educational Services
7	Region of Hamilton-Wentworth	3,550	1.8	Government
8	St. Joseph's Hospital	2,750	1.4	Health Services
9	Provincial Government	2,100	1.1	Government
10	National Steel Car	2,000	1.0	Manufacturing
11	Federal Government	1,350	0.7	Government
12	Westinghouse	950	0.5	Manufacturing
13	M&A Candy	850	0.4	Manufacturing
14	Case Canada***	700	0.4	Manufacturing
15	Dominion Casting	650	0.3	Manufacturing
16	Coppley Apparel	650	0.3	Manufacturing
17	Stelwire	550	0.3	Manufacturing
18	Slater Steel	500	0.3	Manufacturing
19	Procter & Gamble	300	0.2	Manufacturing
Total of Above		53,100	26.7	

* Rounded to nearest 50

** Based on 1996 Census of Canada total employment

***Case Canada has downsized since mid 1998, and is expected to close in mid 1999

Source: Clayton Research based on data from the Regional Municipality of Hamilton-Wentworth and the Census of Canada

Major Employers Together Account for About 1 in 4 Hamilton-Wentworth Jobs

Hamilton-Wentworth's major employers (defined as employers with at least 300 employees) together employ about 53,000 workers - and account for just over one-quarter of Hamilton-Wentworth's jobs.

The two top private sector employers - **Stelco** and **Dofasco** - each employ at least 7,000 workers. However, combined, these two companies account for less than 8 percent of the Region's total employment.

Of the remaining top 10 employers, the only private sector firm is **National Steel Car**; the other 7 firms are all in the public sector (i.e. government, education, health and social services).

While these major employers are very important to the Hamilton-Wentworth economy, smaller employers (i.e. less than 300 employees) account for over three-quarters of all jobs in the Region.

Industrial Composition by Municipality

This section briefly reviews the industrial composition of the local municipalities in Hamilton-Wentworth (Figure 13):

- **Ancaster:** 4% of the Region's jobs overall are located in Ancaster (about 7,900 in 1996). The proportion of total jobs in the manufacturing sector is lowest in Ancaster; however, it has relatively larger shares of its employment in the trade, educational services, accommodation, food and beverage services and "other" services sectors.
- **Dundas:** under 5% of the Region's jobs overall are located in Dundas (about 9,100 in 1996). Government services played a more important role in Dundas in 1996 than in the other municipalities.
- **Flamborough:** about 5% of the Region's jobs overall are located in Flamborough (about 9,500 in 1996). The primary sector plays a more important role in Flamborough than in the other municipalities.
- **Glanbrook:** less than 2% of the Region's jobs overall are located in Glanbrook (about 2,900 in 1996). The primary sector, and transportation and storage, account for a relatively larger share of jobs located in Glanbrook than in the other municipalities.
- **Hamilton:** about three-quarters of the Region's jobs overall are located in Hamilton (about 150,500 in 1996). The manufacturing sector is a stronger contributor to jobs in Hamilton than in most of the other municipalities (the exception being Stoney Creek).
- **Stoney Creek:** just under 10% of the Region's jobs overall are located in Stoney Creek (about 19,000 in 1996). The manufacturing sector is a stronger contributor to jobs in Stoney Creek than in any of the other municipalities.

Figure 13

EMPLOYMENT BY INDUSTRY, HAMILTON-WENTWORTH, 1996

	Ancaster	Dundas	Flam- borough	Glanbrook	Hamilton	Stoney Creek	Hamilton- Wentworth
Number of Jobs							
Primary	450	130	1,855	365	620	410	3,830
Manufacturing	715	960	915	340	32,620	5,655	41,205
Construction	655	340	1,065	380	6,665	1,630	10,735
Transportation & storage	300	290	555	530	3,685	575	5,935
Communication & other utilities	160	335	115	165	3,565	995	5,335
Wholesale & retail trade	1,875	1,475	1,450	250	25,620	3,870	34,540
Finance, insurance & real estate	395	450	235	10	7,945	805	9,840
Business services	450	505	695	145	7,525	695	10,015
Government services	195	1,325	160	85	5,695	375	7,835
Educational services	900	545	620	110	13,810	1,000	16,985
Health & social services	365	1,250	465	120	22,855	1,020	26,075
Accommodation, food and beverage	565	585	500	95	9,245	805	11,795
Other services	<u>870</u>	<u>955</u>	<u>915</u>	<u>295</u>	<u>10,630</u>	<u>1,230</u>	<u>14,895</u>
Total	7,895	9,145	9,545	2,890	150,480	19,065	199,020
% Distribution by Industry							
Primary	5.7	1.4	19.4	12.6	0.4	2.2	1.9
Manufacturing	9.1	10.5	9.6	11.8	21.7	29.7	20.7
Construction	8.3	3.7	11.2	13.1	4.4	8.5	5.4
Transportation & storage	3.8	3.2	5.8	18.3	2.4	3.0	3.0
Communication & other utilities	2.0	3.7	1.2	5.7	2.4	5.2	2.7
Wholesale & retail trade	23.7	16.1	15.2	8.7	17.0	20.3	17.4
Finance, insurance & real estate	5.0	4.9	2.5	0.3	5.3	4.2	4.9
Business services	5.7	5.5	7.3	5.0	5.0	3.6	5.0
Government services	2.5	14.5	1.7	2.9	3.8	2.0	3.9
Educational services	11.4	6.0	6.5	3.8	9.2	5.2	8.5
Health & social services	4.6	13.7	4.9	4.2	15.2	5.4	13.1
Accommodation, food and beverage	7.2	6.4	5.2	3.3	6.1	4.2	5.9
Other services	<u>11.0</u>	<u>10.4</u>	<u>9.6</u>	<u>10.2</u>	<u>7.1</u>	<u>6.5</u>	<u>7.5</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
% of Region							
Primary	11.7	3.4	48.4	9.5	16.2	10.7	100.0
Manufacturing	1.7	2.3	2.2	0.8	79.2	13.7	100.0
Construction	6.1	3.2	9.9	3.5	62.1	15.2	100.0
Transportation & storage	5.1	4.9	9.4	8.9	62.1	9.7	100.0
Communication & other utilities	3.0	6.3	2.2	3.1	66.8	18.7	100.0
Wholesale & retail trade	5.4	4.3	4.2	0.7	74.2	11.2	100.0
Finance, insurance & real estate	4.0	4.6	2.4	0.1	80.7	8.2	100.0
Business services	4.5	5.0	6.9	1.4	75.1	6.9	100.0
Government services	2.5	16.9	2.0	1.1	72.7	4.8	100.0
Educational services	5.3	3.2	3.7	0.6	81.3	5.9	100.0
Health & social services	1.4	4.8	1.8	0.5	87.7	3.9	100.0
Accommodation, food and beverage	4.8	5.0	4.2	0.8	78.4	6.8	100.0
Other services	5.8	6.4	6.1	2.0	71.4	8.3	100.0
Total	4.0	4.6	4.8	1.5	75.6	9.6	100.0

Source: Clayton Research based on Census of Canada data

TRENDS IN THE HAMILTON-WENTWORTH ECONOMY 1981-1996

This section assesses longer term past trends in the Hamilton-Wentworth economy, and compares Hamilton-Wentworth's performance to that of the 14 selected competitive markets.

There Has Been Little Change in the Total Number of Jobs Located in Hamilton-Wentworth Since the Early 1980s

In 1981, there were about 200,000 jobs located in Hamilton-Wentworth, similar to the situation in 1996 (Figure 14). In fact, in the early 1980s, Hamilton-Wentworth was a net importer of labour - that is, there were more jobs located in the region than employed persons living in the region.

Between 1981 and 1991, there were some job gains, but these were lost again during the first half of the 1990s.

The number of employed persons living in Hamilton-Wentworth, however, increased over the same 15 year period.

Out-Commuting Has Been Increasing

The number of persons commuting in to jobs in Hamilton-Wentworth from areas outside the region has remained relatively stable since 1981 (Figure 15). However, out-commuting has been increasing, and almost doubled between 1981 and 1996. Burlington is the key centre

This increased out-commuting reflects the attractiveness of Hamilton-Wentworth as a place to live, due to its low cost of living. In particular, lower housing costs have made it an attractive alternative for many who work in Burlington.

The Hamilton-Wentworth Economy Has Underperformed Since the Early 1980s

Hamilton-Wentworth has underperformed in terms of job growth since the early 1980s. On average over the 1981-1996 period, employment in Ontario grew at an average annual rate of 1.6%; in Hamilton-Wentworth, however, jobs were lost at an average annual rate of 0.1% over the same period.

Hamilton-Wentworth's Share of Ontario-Wide Employment Has Been Declining

The lack of job growth since 1981 in Hamilton-Wentworth, combined with expanding job opportunities in other areas of the province, have meant that Hamilton-Wentworth has been losing ground in terms of its role in the provincial economy. In 1981, about 1 in every 20 Ontario jobs (4.8 percent) were located in the region (Figure 17); by 1996, this proportion had fallen to less than 1 in 25 (3.9 percent).

Figure 14

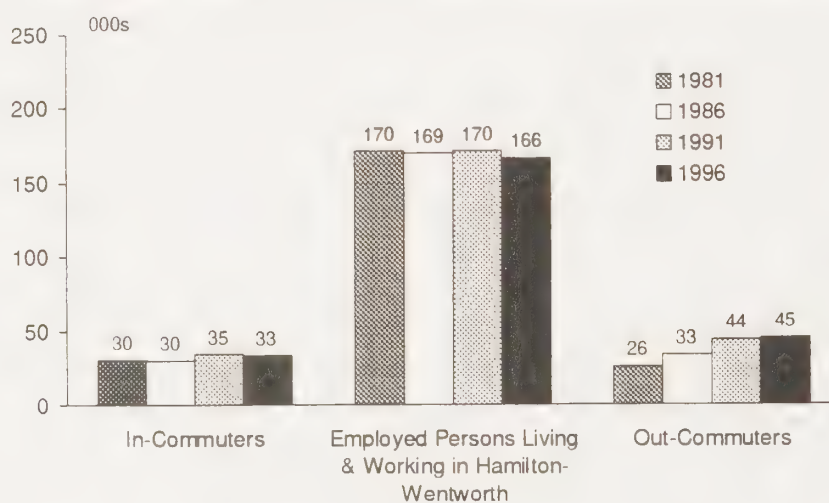
Number of Jobs Located in Hamilton-Wentworth Has Shown Little Change Since Early 1990s



Source: Clayton Research based on Census of Canada data

Figure 15

The Extent of Out-Commuting Has Been Increasing



Source: Clayton Research based on Census of Canada data

Figure 16

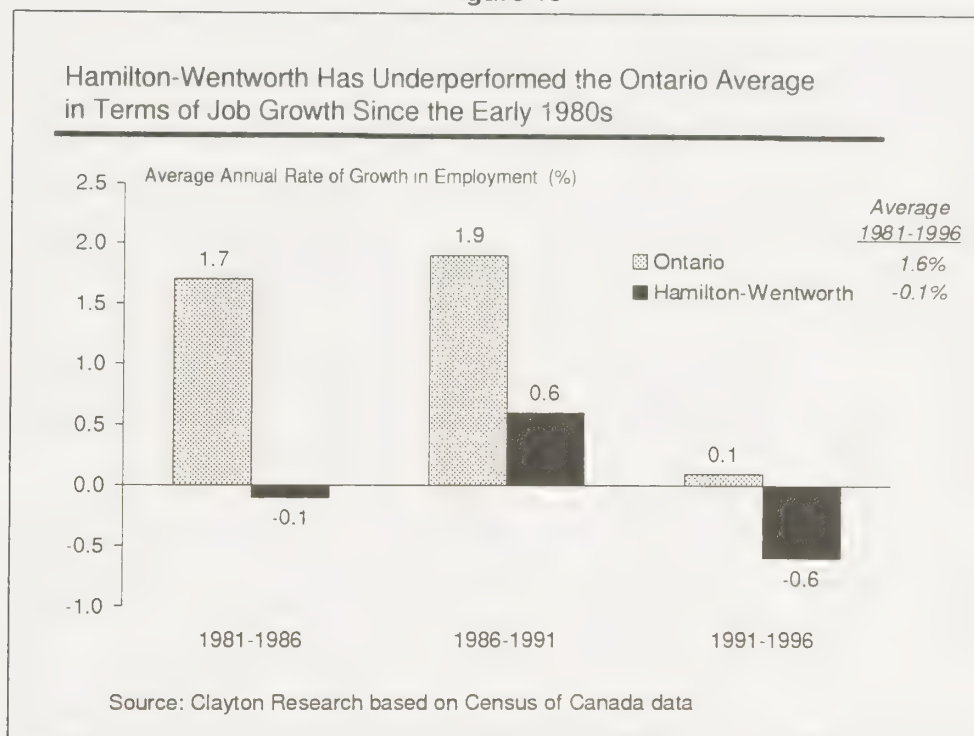
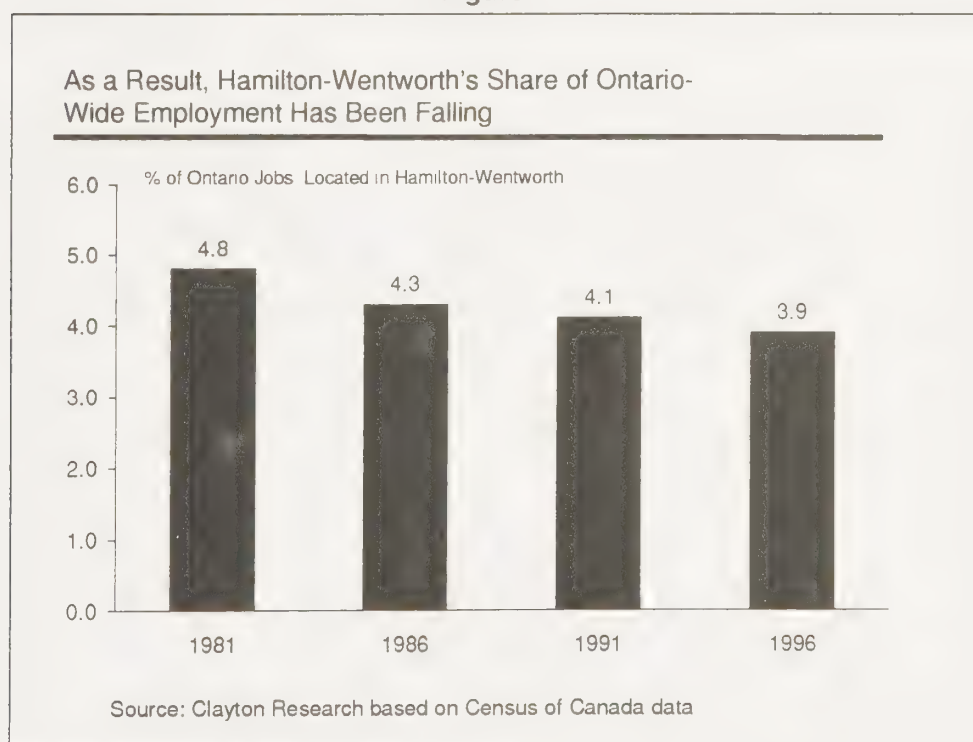


Figure 17



The Structure of the Hamilton-Wentworth Economy has Been Shifting Away from Manufacturing Towards the Service Sector

As outlined in the introduction, place of work employment data is not available prior to 1991, so it cannot be used to assess longer-term shifts in the composition of the Hamilton-Wentworth employment base by sector. However, data on the labour force by industry can be used to gain some insight into these shifts.

In 1981, about 1 in every 3 persons in the labour force in Hamilton-Wentworth was in the manufacturing sector (Figure 18). By 1996, this proportion had fallen dramatically to only about 1 in 5. Hamilton-Wentworth was not unique in recording these types of shifts away from manufacturing jobs; Ontario-wide, the comparable proportions were 1 in 4 in 1981 and 1 in 6 in 1996.

It is important to understand that the shifts that have been occurring away from manufacturing towards the service sector are not all "real" losses/gains. In some cases, comparable positions still exist, but they are now in a different sector.

For example, rather than keeping in-house design teams on their payroll, some manufacturing companies now hire outside expertise to conduct these functions. Whereas previously the design persons employed by the manufacturer would have been including in employment in the manufacturing sector, now they would be counted as persons employed in the service sector.

For the most part, however, jobs in manufacturing have been disappearing as technological advances have increased the productivity (i.e. output per worker). The service sector, which by its very nature is more labour intensive, increasingly has become the primary engine of job growth.

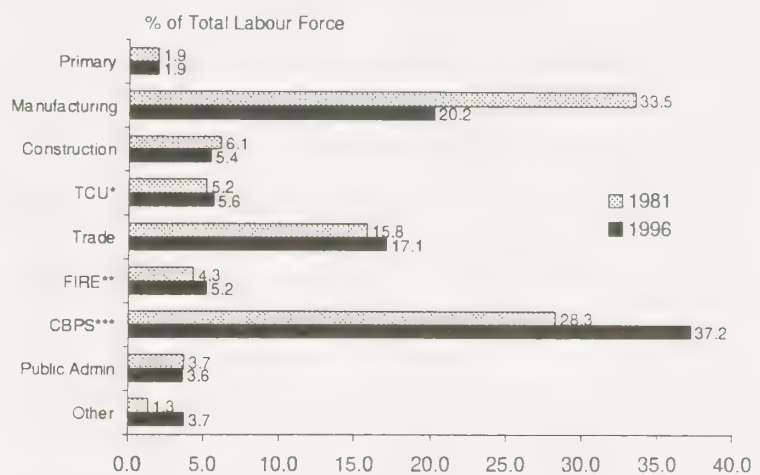
Losses in Manufacturing Jobs in the Early 1990s Overshadowed Gains in the Service Sector

According to Census data, employment in the manufacturing sector in Hamilton-Wentworth declined by over 4,400 jobs between mid 1991 and mid 1996 (Figure 19). Losses were also substantial in the government sector, as all three levels of government (municipal, provincial and federal) began restructuring/rightsizing in any attempt to bring runaway deficits under control.

The losses in these and other sectors more than offset the growth that occurred in various services sectors.

Figure 18

Sectoral Shifts Have Occurred in the Hamilton-Wentworth Economy from Manufacturing to Services

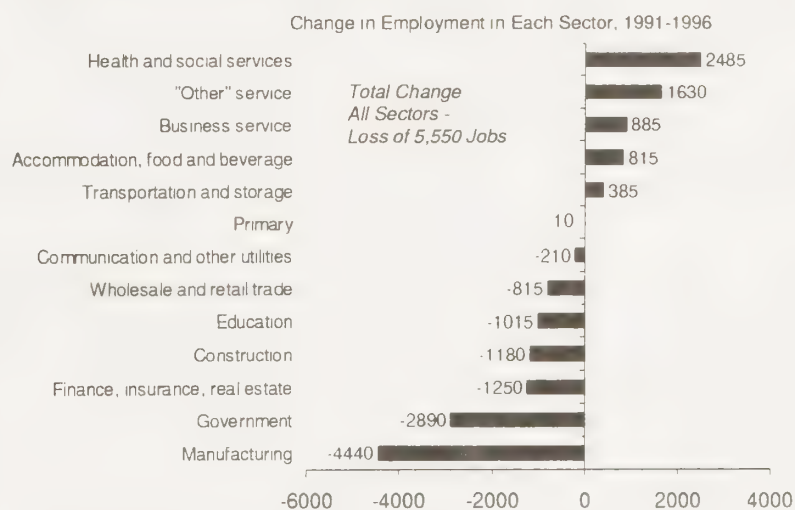


* Transportation, communication & other utilities ** Finance, insurance and real estate
 *** Community, business and personal services

Source: Clayton Research based on Census of Canada data

Figure 19

Hamilton-Wentworth Job Losses in 1991-1996 Centred in Manufacturing and Government



Source: Clayton Research based on Census of Canada data

The City of Hamilton's Relatively Weak Job Performance More Than Offset Gains Elsewhere in the Region

The relatively poor longer-term performance of the Hamilton-Wentworth economy as a whole since 1981 was due entirely to the City of Hamilton's woes. Each of the other five local municipalities recorded impressive growth in their job bases over the 1981-1996 period (Figure 20), in most cases (the exception being Stoney Creek) well above the Ontario-wide growth rate of 1.6%.

The stronger performance in the smaller municipalities reflects a variety of factors, including their lower cost structure vis-à-vis the City of Hamilton, their ability to accommodate growth, as well as less dependence in most cases on a declining manufacturing sector (refer back to Figure 13).

Hamilton-Wentworth's Economic Performance Has Lagged the Other Competitive Markets

Compared to the 14 other markets selected for analysis in this study, Hamilton-Wentworth posted the poorest job growth performance over the 1981-1996 period (Figure 21).

With the exception of Brantford, Hamilton-Wentworth was the only market to have suffered job losses over the 1981-1996 period as a whole. As discussed above, the poor overall Hamilton-Wentworth performance is attributable to job losses in the City of Hamilton.

Of the competitive markets examined here, Mississauga, Oakville, Burlington, Guelph and Cambridge posted the strongest rate of job creation over the 1981-1996 period; for each, growth was considerably above the Ontario-wide average.

When looked at in terms of the actual number of jobs created, Mississauga's performance is even more impressive (Figure 22). Over 130,000 jobs were created in Mississauga over the 1981-1996 period - or 100,000 jobs more than created by the next two markets, Ottawa and London. Over this same period, the City of Hamilton lost almost 19,000 jobs.

Hamilton-Wentworth Not the Only Market to Suffer Job Losses in the First Half of the 1990s

Other markets besides Hamilton-Wentworth suffered severe job losses during the economic turmoil of the early 1990s (Figure 23). However, Hamilton-Wentworth's rate of job loss was amongst the most severe; it was surpassed only by Ottawa where cutbacks in the government sector took their toll on this market.

Some of the competitive markets managed to continue to post strong rates of job growth even during the first half of the 1990s: Oakville, Cambridge, Mississauga, Burlington, Guelph and Windsor. For Windsor, the casino was a key factor in the job gains.

Figure 20

The 5 Smaller Municipalities Have Posted Impressive Job Gains Since 1981

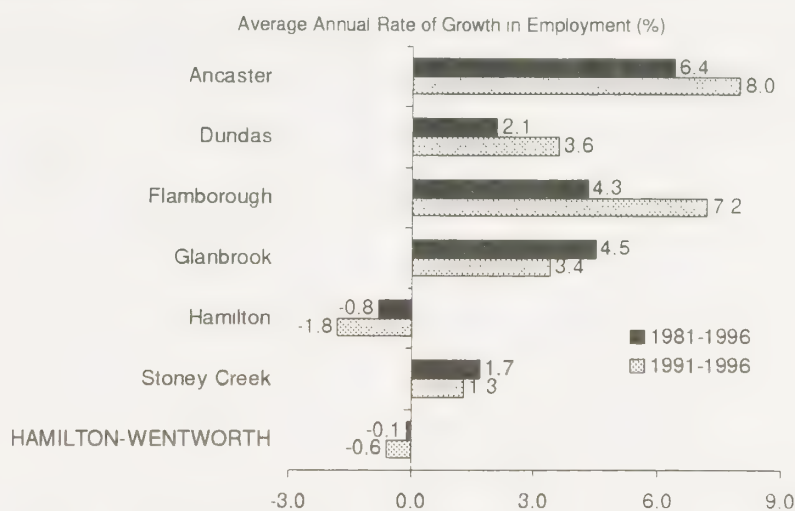


Figure 21

Hamilton-Wentworth Has Underperformed the "Competitive Markets" in Terms of Job Creation Since the Early 1980s

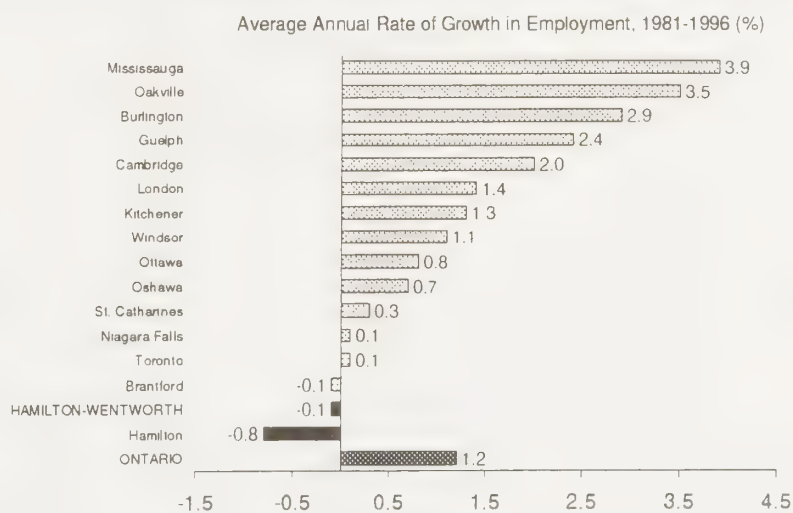
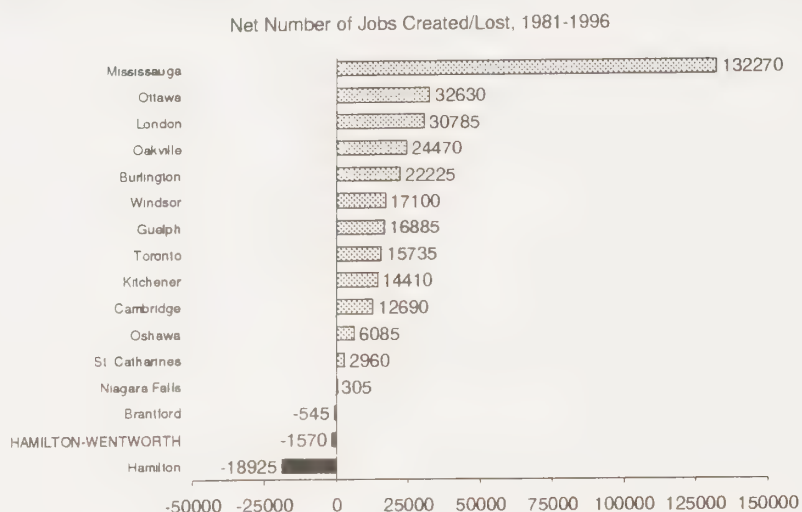


Figure 22

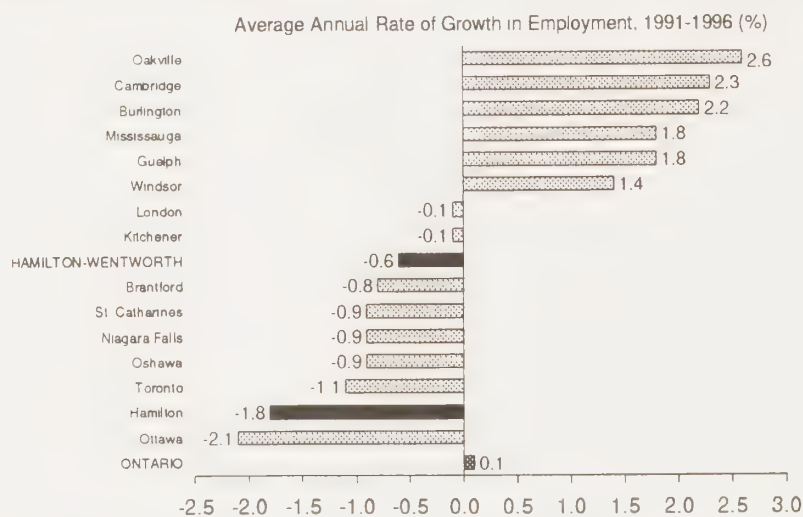
Mississauga Has Been the Job Magnet



Source: Clayton Research based on Census of Canada data

Figure 23

Some of the Competitive Markets Managed to Sustain Employment Growth Even During the First Half of the 1990s



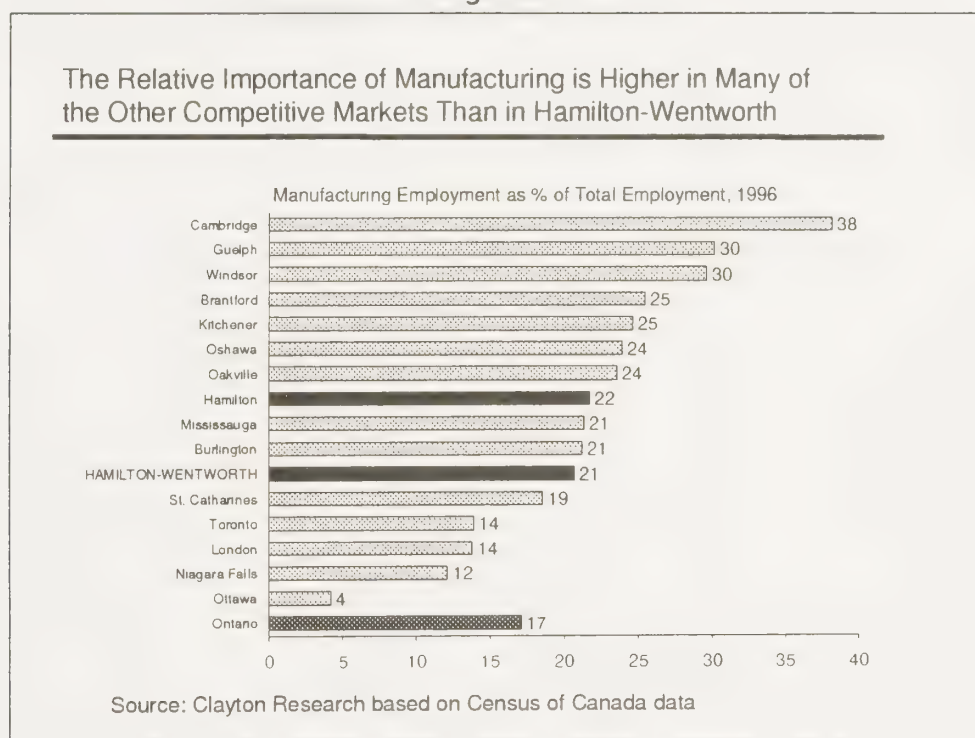
Source: Clayton Research based on Census of Canada data

Relative Importance of Manufacturing in Itself Does Not Explain Hamilton-Wentworth's Underperformance Relative to the Other Competitive Markets

It might be thought that the relatively poorer job creation of Hamilton-Wentworth is related to the extensive restructuring that has occurred in this sector over the past 10 years, and the importance of manufacturing to the Hamilton-Wentworth economy.

However, for three of the top performing markets in terms of job growth in the 1991-1996 period - Cambridge, Windsor and Guelph - manufacturing plays a much more important role than it does in Hamilton-Wentworth. And each of these three centres posted positive job growth in manufacturing in the 1991-1996 period (Figure 24).

Figure 24



But Type of Manufacturing Appears to Play a Role

As shown earlier, manufacturing is a very diverse sector. While in general manufacturing in Ontario suffered serious job losses in the 1986-1996 period, the performance was not the same across various subsectors.

The primary metal sector in Ontario - which plays a relatively stronger role in Hamilton-Wentworth's economy - was one of the hardest hit in the 1986-1996 period (Figure 25). Only the leather and petroleum and coal products sectors (which are very small) suffered more extensive job losses in relative terms. This relatively poorer performance in one of its key sectors helps to explain Hamilton-Wentworth's relatively poorer job growth record. However, the restructuring was necessary to ensure the longer-term viability of the steel industry in Hamilton.

The stronger employment growth cited earlier in Cambridge, Windsor and Guelph (despite their relatively higher reliance on the manufacturing sector), as well as Oakville's relatively strong performance appears to be a function of the stronger role of the transportation equipment sector in these centres - this is one of the few manufacturing sectors in Ontario that did not suffer job losses in the 1986-1996 period.

Figure 25

The Relative Importance of Different Manufacturing Sectors, 1996

	Avg. Ann. Change in Ontario-wide Employment 1986-1996 %	Relative Importance to the Local Economy							
		Hamilton	Ottawa	Oshawa	Toronto	St. Catharines	Kitchener	London	Windsor
		CMA (1)	CMA	CMA	CMA (2)	CMA (3)	CMA (4)	CMA	CMA
		% of Employed Labour Force							
Food industries	-0.9	1.8	0.2	0.6	1.5	1.4	3.0	1.9	0.5
Beverages	-2.5	0.2	0.1	0.1	0.2	0.3	0.1	0.4	0.5
Tobacco	-4.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Rubber	-1.8	0.2	0.0	0.6	0.1	0.4	0.7	0.3	0.1
Plastics	1.0	0.5	0.0	0.6	0.9	0.2	0.9	0.4	0.9
Leather	-8.5	0.1	0.0	0.0	0.1	0.1	0.8	0.0	0.0
Textiles	-3.6	0.4	0.1	0.1	0.3	0.2	0.8	0.1	0.0
Clothing	-3.5	0.4	0.2	0.1	0.8	0.2	1.1	0.2	0.2
Wood	0.3	0.3	0.1	0.3	0.3	0.4	0.5	0.4	0.1
Furniture	-2.5	0.2	0.1	0.5	0.8	0.1	0.9	0.2	0.2
Paper & allied products	-2.1	0.5	0.1	0.8	0.6	0.9	0.3	0.3	0.1
Printing & publishing	-0.1	1.1	1.2	1.8	2.0	1.1	1.2	1.2	0.7
Primary metal	-4.2	5.3	0.0	0.6	0.3	2.0	0.4	0.5	0.5
Metal fabricating	-0.9	2.0	0.3	1.4	1.7	2.2	4.1	1.3	4.5
Machinery, except electrical	-1.3	1.1	0.1	0.5	0.7	0.9	2.4	0.6	1.2
Transportation equipment	0.3	2.7	0.1	10.7	2.1	6.8	5.2	5.9	17.4
Electrical products	-2.9	1.3	3.4	1.1	1.6	0.8	2.3	0.6	0.3
Non-metallic minerals	-2.1	0.6	0.1	0.5	0.4	0.5	0.4	0.5	0.2
Petroleum & coal products	-5.4	0.2	0.0	0.1	0.1	0.1	0.1	0.0	0.0
Chemicals	-1.7	1.0	0.2	1.0	1.2	0.6	0.5	0.5	0.6
Other manufacturing	-2.2	0.7	0.5	0.6	1.1	0.6	0.9	0.6	0.5
All manufacturing*	-1.5	20.5	7.0	22.1	16.7	19.8	26.8	16.0	28.5

(1) Includes Burlington

(2) Includes Mississauga and Oakville

(3) Includes Cambridge

(4) Includes Niagara Falls

* Data will not be the same as previous exhibit, as geographic coverage is different

Source: Clayton Research based on Census of Canada data

RECENT TRENDS IN THE HAMILTON-WENTWORTH ECONOMY

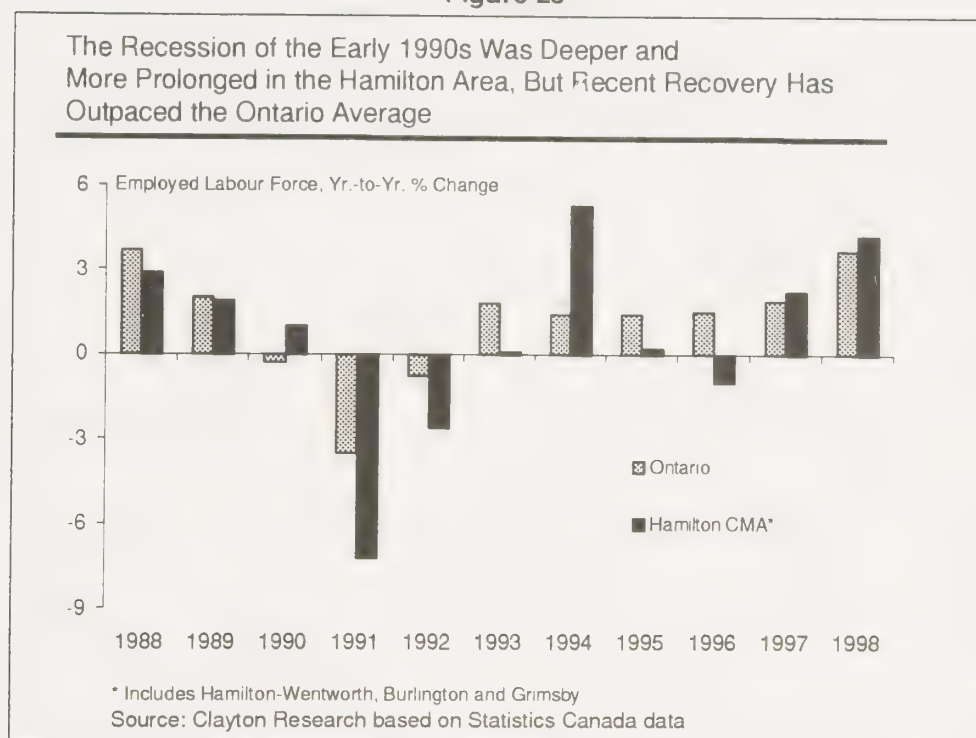
This section focuses on trends in the Hamilton-Wentworth economy in recent years.

The Hamilton Area is Recovering from the Economic Turmoil of the First Half of the 1990s

The recession of the early 1990s was much deeper (in terms of relative job losses) and prolonged (that is, length of duration) in the Hamilton area than for Ontario as a whole (Figure 26).⁴

⁴ The annual data in this section are from Statistics Canada's Labour Force Survey, which is based on place of residence employment in the Hamilton CMA.

Figure 26



Over the past two years, however, the Hamilton area has enjoyed relatively buoyant net job growth, with the rate of growth outpacing the Ontario-wide average.

Caution must be used in extrapolating from this data Hamilton area to Hamilton-Wentworth, as they 1) relate to the Hamilton CMA, which includes Hamilton-Wentworth, Burlington and Grimsby and 2) are based on place of residence, rather than place of work data. A comparison of the patterns of growth shown by the various employment series available for the 1991-1996 period show that trends are not necessarily consistent between the various sources (Figure 27). However, Hamilton-Wentworth comprises roughly 70 percent of the Hamilton CMA. Therefore, it plays a strong role in the overall performance. The implication is that the general patterns of growth in recent years shown by the Hamilton CMA data are applicable in broad terms to Hamilton-Wentworth.

Data on annual employment growth is not available for each of the competitive markets under examination in this study. However, data for the larger CMAs that contain these centres provide some insight into relative job growth patterns in recent years (Figure 28). The data show that the Hamilton area has been one of Ontario's growth leaders in terms of the rate of job creation over the past two years, after the Oshawa and Toronto areas.

Figure 27

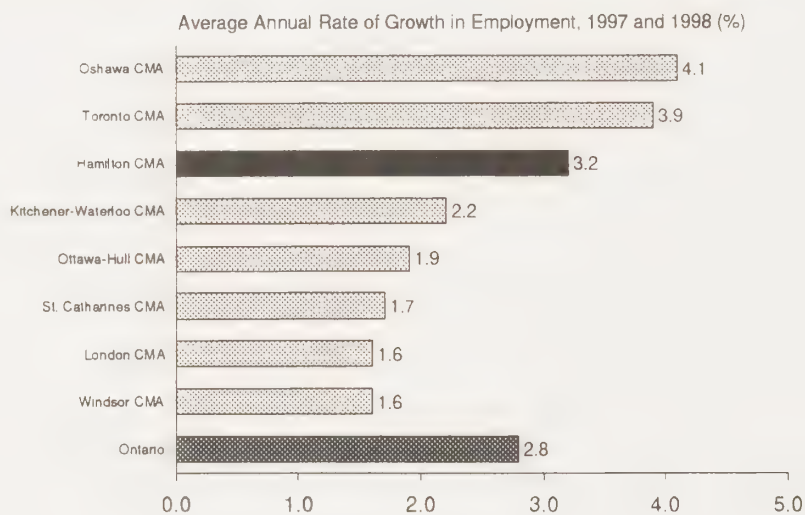
Comparison of Various Employment Growth Measures Hamilton Area, 1991-1996



Source: Clayton Research based on Statistics Canada and Census of Canada data

Figure 28

The Hamilton Area Has Been One of the Leaders in Terms of Job Growth in the Past Two Years



Source: Clayton Research based on Statistics Canada data

CHAPTER 2: OUTLOOK FOR THE ONTARIO ECONOMY BY SECTOR

Hamilton-Wentworth's future economic prospects will in large part be dependent on Ontario-wide economic growth patterns. This section of the analysis first looks at overall economic growth trends in Ontario in the period through 2006. This is followed by an assessment of relative growth patterns by sector.

OVERALL ECONOMIC GROWTH TRENDS IN ONTARIO THROUGH 2006

This section examines overall growth trends in Ontario through the year 2006.

The Ontario Economy Has Recovered from the Recession of the Early 1990s

Growth in the Ontario economy has been robust in recent years. After bearing the brunt of the early 1990s recession, and undergoing a slow recovery, real growth in GDP has outpaced the Canadian average in four of the past five years (Figure 29). Employment has also rebounded, with 200,000 new jobs in 1998 alone.

The superior performance in Ontario in the period 1994 to 1997 is attributable to a number of factors.

Ontario's manufacturing sector has rebounded. This sector underwent a significant period of restructuring in the early years of this decade, when one out of every five jobs were lost and real manufacturing shipments declined nearly 12%. The long recovery in the manufacturing sector in the period 1994 to 1997, however, has supercharged the provincial economy. Job gains in this important sector have averaged 3.3% per year, nearly recovering all of the jobs lost during the recession. Manufacturing shipments have surged ahead almost 10% per year due to a combination of productivity gains and a sub-sector shift toward higher-value-added production.

Much of the strength in the recent recovery in the manufacturing sector lay in the international demand for exports. Ontario accounts for 51% of all Canadian exports of goods and services by value. Exports of goods and services abroad from Ontario expanded 67% in real value between 1992 and 1997. This compared to an expansion of about 48% for the remainder of Canada.

Figure 29

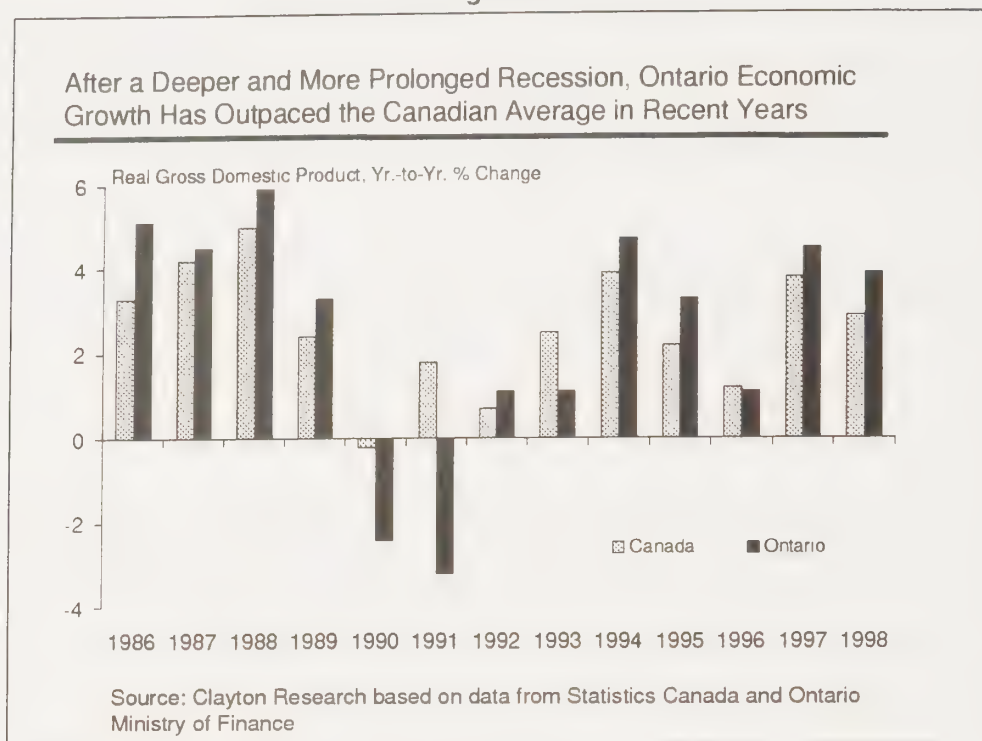
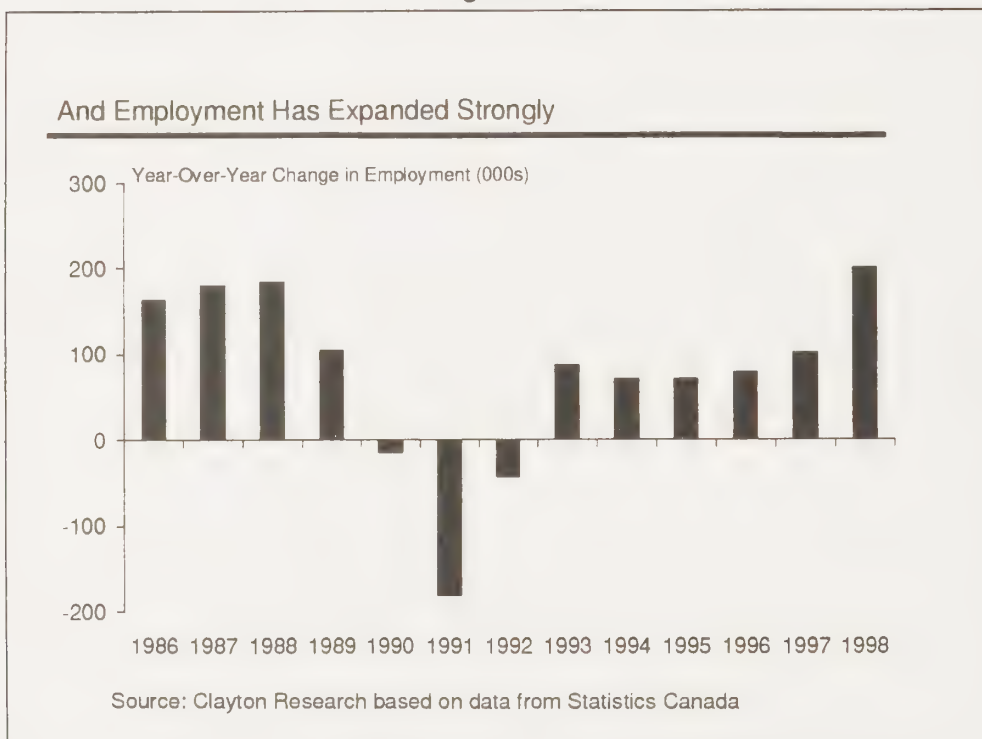


Figure 30



The Ontario Economy is Poised for Relatively Healthy Growth through 2006

While a return to the very strong economic conditions of the mid to latter 1980s is not foreseen, the Ontario economy is positioned to experience relatively buoyant growth in the period through 2006. While 1999 is expected to be an adjustment year, after the buoyancy of 1997 and 1998, solid growth in real GDP and employment in the 3 percent and 2 percent range, respectively, is expected on average per year in the 2000-2006 period.

Key factors underlying this scenario include:

- **A gradually improving global economy**

Since the collapse of the Thai baht in the summer of 1997 the spotlight of the international outlook has centred on international financial turmoil. First it was the devaluation of Asian currencies and the stalling of the then-rapid growth of developing Asian nations. Next the contagion from this crisis led to turmoil in Latin and South America, and finally to Russia.

The net result was a slowing of OECD-wide economic growth from well above 3% in 1997 to about 2.25% in 1998, and a likely further slowing to about 1.75%. Continued strong activity in the U.S., which expanded by an estimated 3.7% last year, and a strengthening Euro-area Europe, which expanded by an estimated 3.3%, have helped to abate the international slowing in economic growth. A general slowing in world markets will take place in 1999, but should pick up in 2000, as economies recover from the turmoil of the past two years.

Several factors point to greater stability in world markets over the next decade.

- The US equities market, although briefly stalled during the Asian crisis, has retained its strength;
- IMF and G7 nations are implementing an international financial architecture to impose greater control on flows of capital; and
- Financial sector reforms introduced in Japan in 1998 will bring about a gradual recovery in that country over the next two years.

- **Sustained, but more moderate, growth in the U.S. economy**

As one of Ontario's key trading partners, the performance of the U.S. economy is important to the province's economic prospects. While the U.S. economy is expected to cool in 1999 to below 2 percent, sustained growth in the 2-3 percent per year range is anticipated in the 2000-2006 period. Slower U.S. economic growth will translate into more moderate growth in the demand for Ontario exports.

Figure 31

Summary of Major Economic Indicators

		<u>1997</u>	<u>1998</u>	<u>1999f</u>	<u>2000f</u>	<u>Avg. Ann. 2001-2006f</u>
Real GDP Growth (Yr.-to-Yr. % Change)						
World	[1]	3.2	1.8	n.a.	n.a.	2.9
U.S.	[2]	3.9	3.3	1.5	2.7	2.4
Canada		3.8	2.9	2.1	2.6	2.8
Ontario		4.5	4.0	3.0	3.2	3.0
Employment Growth (Yr.-to-Yr. % Change)						
Canada		1.9	2.8	1.3	1.8	1.8
Ontario		1.9	3.7	1.8	2.2	2.0
Rate of Inflation (%)						
Canada		1.6	1.1	1.3	1.4	1.8
Ontario		1.9	1.5	1.4	1.6	2.0
Cdn. Dollar (in U.S.\$)*		0.72	0.67	0.68	0.70	0.73
Prime Rate (%)*		4.96	6.60	6.00-7.00	6.25-7.00	6.25-7.00

* Average

Source: Clayton Research based on Statistics Canada data; except:

[1] The World Bank. 2.9% is 1999 to 2007 average

[2] Source: DRI McGraw-Hill

- **Continued low inflation, low interest rates, and a weak Canadian dollar**

The Bank of Canada is expected to continue on its path of low inflation (i.e. targeting in the 1-3% range over the forecast period).

Interest rates are expected to remain relatively low over the forecast period, due to low domestic inflation and an improving government debt situation. Low rates are important for maintaining consumer spending on big ticket items (such as homes), as well as for business investment.

While some strengthening is expected in the Canadian dollar over the forecast period, it is likely to remain relatively low in historical terms. Exports of manufactured goods and tourism, therefore, are expected to continue to benefit from a low dollar.

- **Favourable cost competitiveness**

A recent study by KPMG, entitled **A Comparison of Business Costs in North America, Europe and Japan**, found that Canada in general has a cost advantage over the U.S., Japan and the European countries examined (Austria, France, Germany, Italy and the U.K.). While costs in Ontario tended to be somewhat higher than most other areas of the country (the exception being B.C.), the degree of variation was not large.

- **Ontario expected to outperform most regions**

In the short-term, Ontario along with Alberta, are expected to be the Canadian growth leaders. While B.C. is expected to show improvement from its current situation, it is unlikely to surpass the Canadian average over the forecast period.

OUTLOOK BY SECTOR

This section of the analysis examines the relative output and employment prospects by sector for the Ontario economy, with a focus on those sectors which currently are relatively more important to the Hamilton-Wentworth economy.

A Note on Growth in Output Vs. Growth in Employment

The sectoral outlook takes into consideration two growth trends:

- Growth in **output** (i.e. GDP); and
- Growth in **employment**.

The growth patterns for these two variables will not necessarily be the same - the difference between growth in output and growth in employment reflects **changes in productivity**.

Any particular sector may be growing rapidly in terms of its output, but if technological changes are allowing each worker to produce relatively more (i.e. there are gains in productivity), the rate of job growth in that sector may lag the rate of output growth.

Overall in the Ontario economy, productivity gains averaged about 1 percent a year over the 1981-1998 period.

While the analysis here does consider growth in output, the emphasis is on growth in employment. This is because at a local market level (the focus of this study), output is not readily measured either in total or by sector, but information is available on employment by sector.

For simplicity, not all of the individual manufacturing sectors were examined in detail. Rather, the focus is on those that are relatively more important to the Hamilton-Wentworth economic base.

Primary Metals Sector Expected to Continue to Underperform in Terms of Job Growth

The primary metals sector in Ontario - which, as shown earlier, is a key employer in Hamilton-Wentworth - fared relatively poorly in the 1986-1996 period. While growth in output was close to the all sector average (Figure 32) employment losses in relative terms were the highest of the sectors examined here.

The highest growth rates in terms of employment in the 1986-1996 period were posted in the non-government services sector (i.e. business services, health and welfare, educational and "other" services).

While some positive growth is expected Ontario-wide in jobs in the primary metals sector over the 1996-2006 period, the rate of growth is projected to lag the average for all sectors (Figure 33).

As in the 1986-1996 period, business services are expected to lead in terms of both relative job creation rates and the absolute number of jobs being created (Figure 34). While the communications sector is expected to post the strongest output growth, the "high tech" nature of this sector indicates the gains will be due to productivity gains, not by the addition of more workers to the sector.

Figure 32

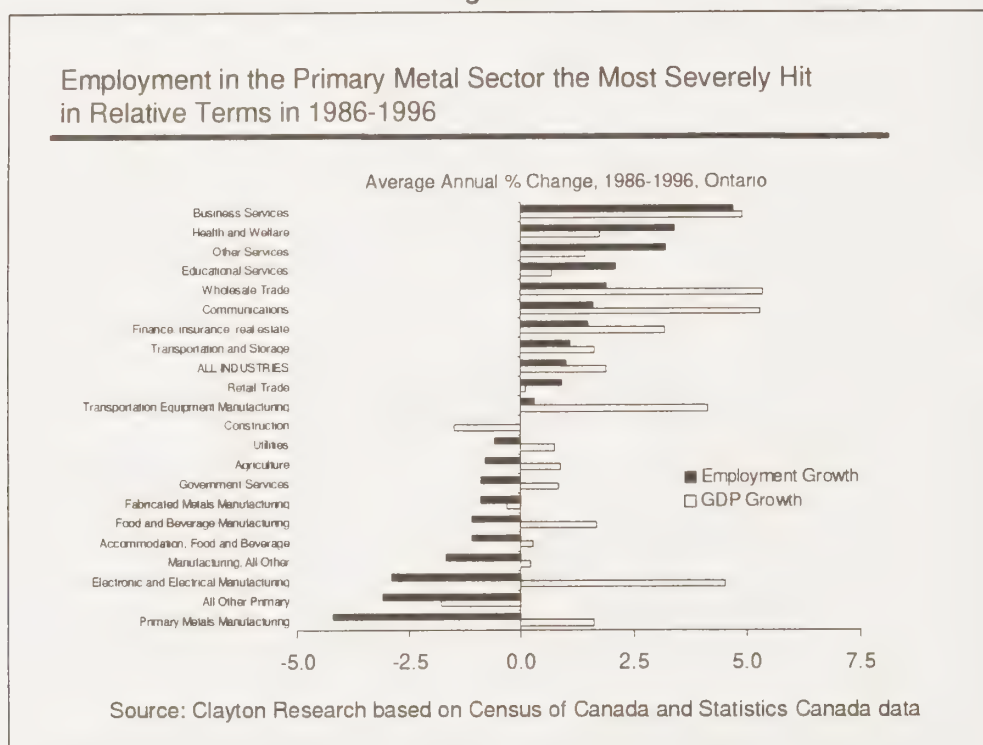
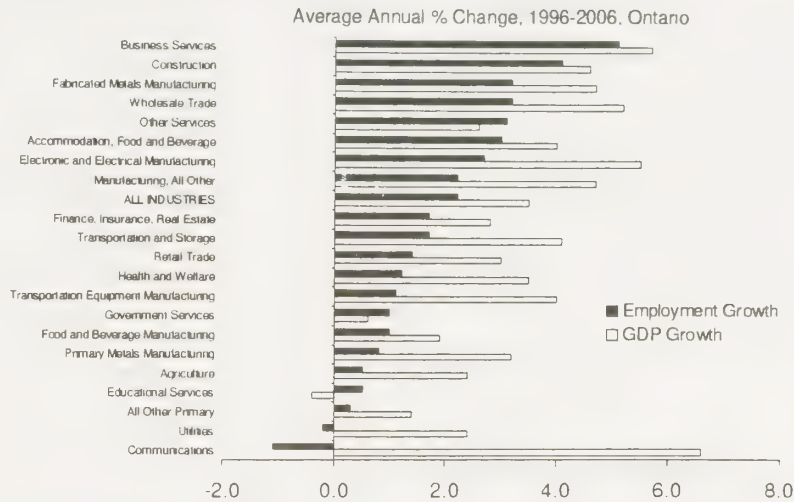


Figure 33

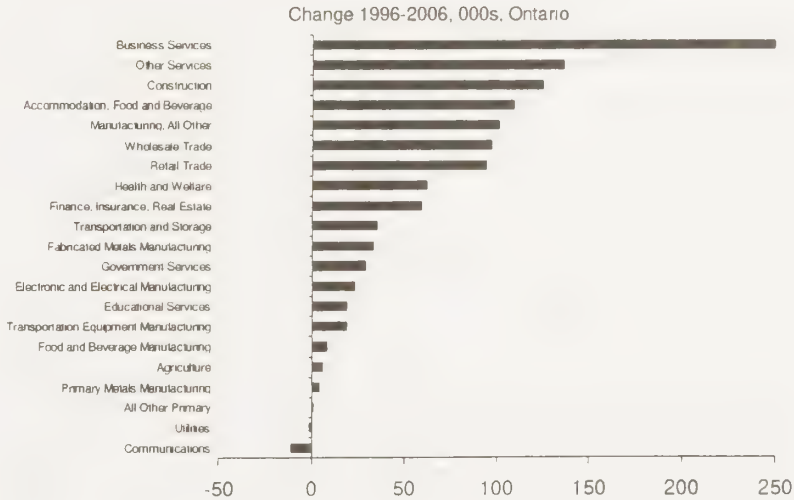
And the Primary Metal Sector Expected to Post Below Average Growth in 1996-2006



Source: Clayton Research based on Census of Canada and Statistics Canada data

Figure 34

Most Jobs Will Be Needed in the Business Services Sector



Source: Clayton Research based on Census of Canada and Statistics Canada data

CHAPTER 3: HAMILTON-WENTWORTH'S COMPETITIVE STRENGTHS AND CHALLENGES

In addition to patterns in Ontario-wide growth, Hamilton-Wentworth's future economic prospects also will be dependent on its ability to compete with other markets within Southern Ontario, and attract its share of Ontario growth. In this section of the study, Hamilton-Wentworth's competitive position vis-à-vis selected competitive markets in Ontario is assessed.

The analysis considers both the "hard" costs of doing business in Hamilton-Wentworth vs. the other markets, as well as "softer" factors. The analysis is limited to those costs/factors which are location specific, and therefore would factor into the decision-making process for firms either considering locating, or staying, in Hamilton-Wentworth. Where possible, variation in costs by sector is considered.

THE "HARD" COSTS OF DOING BUSINESS

This section compares selected major costs of doing business in Hamilton-Wentworth with comparable costs in the 14 other selected competitive markets.⁵ The costs are broken down into two categories - initial costs of developing facilities and on-going costs of doing business:

- **Initial costs of developing facilities**
 - Industrial land prices;
 - Construction costs;
- **On-going costs of doing business**
 - Labour costs;
 - Costs of electricity; and
 - Realty taxes.

Each of these costs are explored below.

⁵ While there are some similarities, the analysis here is not comparable to that undertaken in the previously cited KPMG study, *A Comparison of Business Costs in North America, Europe and Japan*. The KPMG study is a more detailed and comprehensive analysis, and puts more focus on quantifying the actual total costs of doing business in each area. In the current study, the focus is on identifying broad relative positions between the competitive markets in terms of key location decision-making factors, and in particular, Hamilton-Wentworth's comparative advantages/disadvantages.

Industrial Land Prices

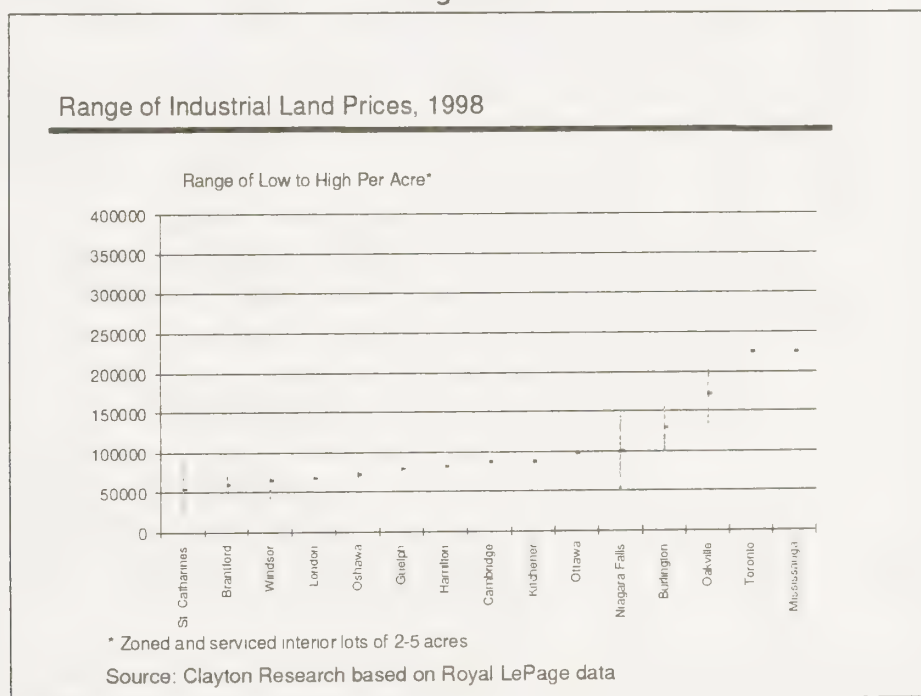
If a business is considering building its own facilities in a municipality, land prices will be an important consideration.

Data on industrial land prices is compiled by Royal LePage and published in the **Canadian Industrial Property Guide** (Figure 35). This data compares industrial land prices per acre for zoned and serviced interior lots of 2-5 acres in size.

This data show that the Hamilton area is about "average" in terms of industrial land prices. The highest prices are found in Mississauga, Toronto, Oakville and Burlington; the lowest in St. Catharines, Brantford and Windsor.

While comparable information is not available on commercial land prices, typically the broad patterns by municipality would likely be similar as for industrial land.

Figure 35

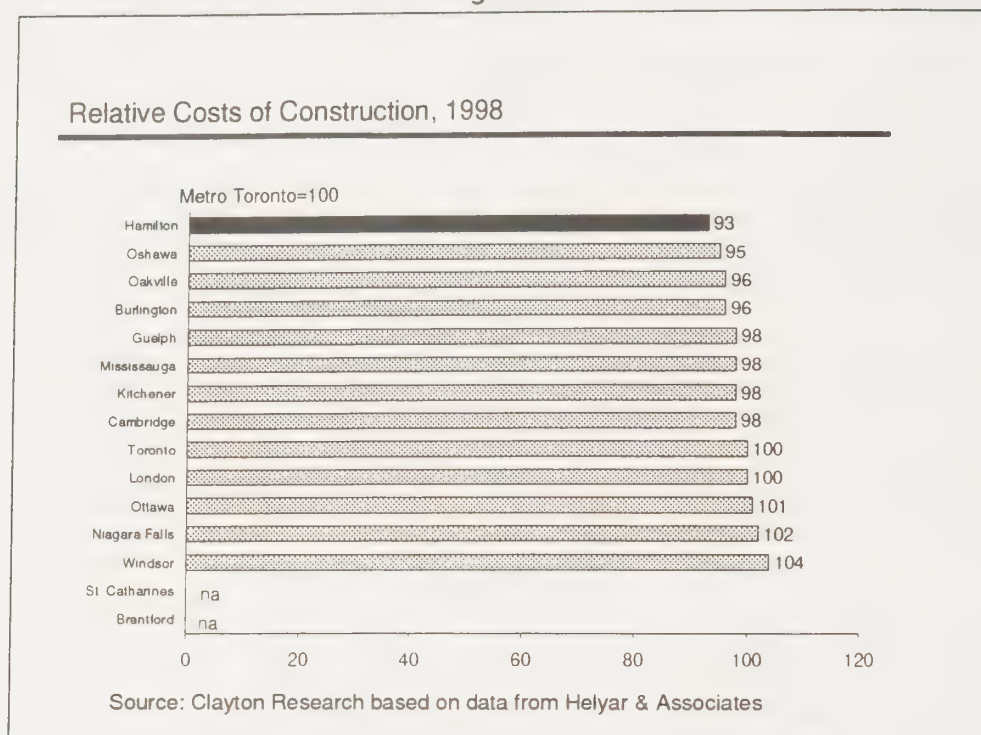


Construction Costs

In addition to the price of land, the costs of constructing new business facilities can also play an important role in location decisions.

According to Helyar & Associates (Figure 36), Hamilton has the lowest relative construction costs of any of the competitive markets examined here (data are not available for St. Catharines and Brantford).

Figure 36



Labour Costs

To investigate costs of labour in different sectors and different markets, income data from the 1996 Census of Canada was examined (data are available only on a CMA level). Figure 37 shows both the average income in dollars, and the rank for each centre within each sector.

The data show that relative wages can vary by sector across different markets.

These labour costs, unfortunately, are limited as they do not measure costs in relation to output (i.e. what are the per unit costs of labour). For example, workers in one market in a particular centre may incur lower costs, but their productivity could also be lower. As measured against value added per paid hour of labour, therefore, the "lower wage" market may not necessarily reflect the "best value".⁶

For example, if one looks strictly at the cost per paid hour for manufacturing employees (as shown by data for 1994), it would appear that the Hamilton area ranks in the lower half of the centres with the third highest costs (Figure 38). However, the value added by each paid hour varies by market - and the Hamilton area has the second highest value added per paid hour, after Windsor. It is not clear, therefore, just by viewing these two series separately what the "best value" market is.

⁶ Value added roughly approximates the difference between the value of the final product and the costs of inputs (labour, materials, etc.).

Figure 37

Average Income by Industry and Market, 1996

	Hamilton CMA	Ottawa CMA	Oshawa CMA	Toronto CMA	St. Catharines CMA	Kitchener CMA	London CMA	Windsor CMA
Primary	na	na	na	na	na	na	na	na
Agriculture	30,582	25,759	28,973	29,612	25,082	29,042	25,038	30,166
Manufacturing	44,480	47,716	47,639	41,942	44,701	39,966	42,112	49,841
Food & beverage	35,334	41,129	35,114	41,523	37,099	40,732	43,780	46,039
Primary metal	50,769	na	52,748	44,225	49,976	45,664	42,347	54,869
Fabricated metal	42,953	36,053	39,711	39,924	39,566	39,538	37,818	47,967
Transportation equipment	44,246	49,949	53,130	44,298	50,666	44,067	45,374	52,638
Electrical & electronic	46,448	54,407	46,734	46,951	38,790	40,666	34,673	42,949
All Other Manufacturing	42,421	43,222	45,087	45,950	45,499	46,956	48,274	47,866
Construction	41,723	40,204	38,935	40,772	37,202	38,303	35,029	39,481
Transportation & storage	40,865	41,304	41,274	39,994	41,658	38,462	37,178	38,420
Communication & other utilities	43,557	46,748	53,302	46,260	42,051	40,106	42,458	41,101
Communication	40,211	47,072	41,741	43,285	37,998	37,557	40,778	37,292
Other utilities	49,307	44,177	60,541	54,279	47,054	45,879	47,250	47,170
Wholesale & retail trade	34,209	32,596	34,058	36,012	28,668	33,718	30,681	32,000
Wholesale trade	44,908	43,207	43,050	44,391	35,411	40,730	37,713	38,637
Retail trade	29,472	29,245	30,503	31,270	26,671	30,649	27,844	30,256
Finance, insurance & real estate	43,245	41,144	43,202	50,508	35,308	40,559	39,751	39,402
Business services	44,122	50,583	42,048	52,191	38,824	42,889	44,372	41,269
Government services	45,288	48,817	46,387	45,744	42,483	42,825	44,787	42,336
Educational services	48,472	48,164	46,257	48,587	47,243	46,536	48,795	49,929
Health & social services	40,998	42,881	36,791	43,324	36,658	38,168	42,085	42,011
Accommodation, food and beverage	22,233	21,860	20,477	24,342	21,201	20,516	21,420	20,350
Other services	29,352	30,597	31,711	32,100	26,811	26,124	26,440	27,956
Total	41,056	43,395	42,466	42,679	37,677	38,444	38,774	41,832

Rank (where 1 is lowest income, 8 is highest)

	na	na	na	na	na	na	na	na
Primary	na	na	na	na	na	na	na	na
Agriculture	8	3	4	6	2	5	1	7
Manufacturing	4	7	6	2	5	1	3	8
Food & beverage	2	5	1	6	3	4	7	8
Primary metal	5	na	6	2	4	3	1	7
Fabricated metal	7	1	5	6	4	3	2	8
Transportation equipment	2	5	8	3	6	1	4	7
Electrical & electronic	5	8	6	7	2	3	1	4
All other manufacturing	1	2	3	5	4	6	8	7
Construction	8	6	4	7	2	3	1	5
Transportation & storage	5	7	6	4	8	3	1	2
Communication & other utilities	5	7	8	6	3	1	4	2
Communication	4	8	6	7	3	2	5	1
Other utilities	6	1	8	7	3	2	5	4
Wholesale & retail trade	7	4	6	8	1	5	2	3
Wholesale trade	8	6	5	7	1	4	2	3
Retail trade	4	3	6	8	1	7	2	5
Finance, insurance & real estate	7	5	6	8	1	4	3	2
Business services	5	7	3	8	1	4	6	2
Government services	5	8	7	6	2	3	4	1
Educational services	5	4	1	6	3	2	7	8
Health & social services	4	7	2	8	1	3	6	5
Accommodation, food and beverage	7	6	2	8	4	3	5	1
Other services	5	6	7	8	3	1	2	4
Total	4	8	6	7	1	2	3	5

Source: Clayton Research based on Census of Canada data

Figure 38

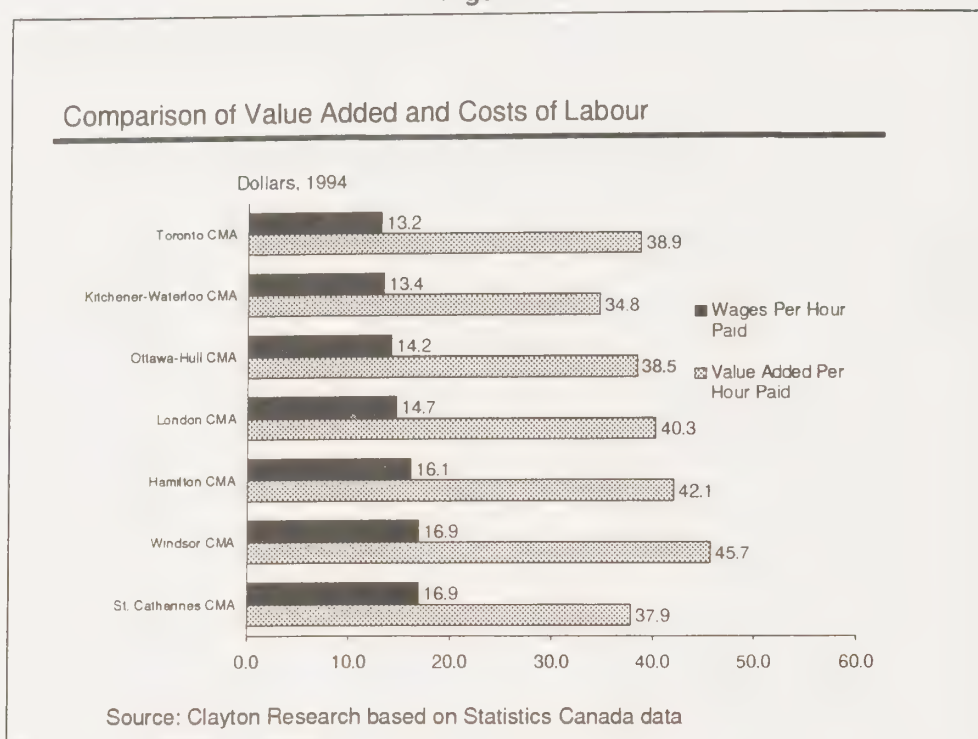
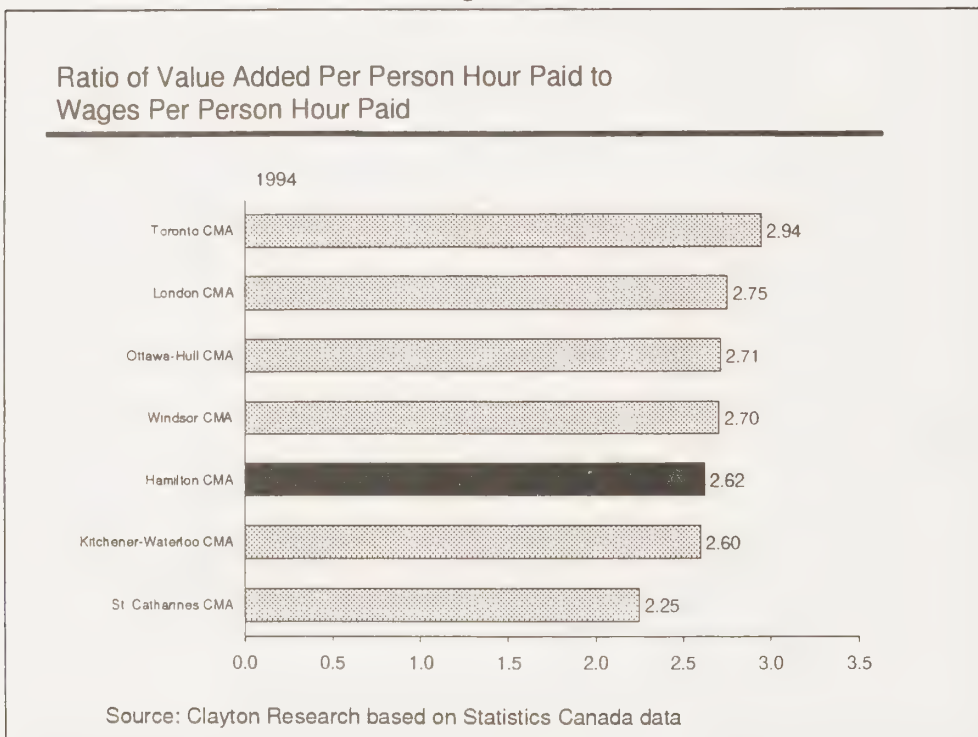


Figure 39



To provide a truer indicator, the value added per paid hour was compared to the cost per paid hour in each market. The higher the number, the better from an employer's perspective, since more is obtained from each paid hour.

While the ranking of some markets has changed when value added is taken into consideration along with labour costs, Hamilton-Wentworth remains in the bottom half of the markets, although the variation across most markets - the exceptions being the highest ranking, Toronto and the lowest ranking, St. Catharines - is not substantial (Figure 39).

Electricity Costs

Particularly in the manufacturing sector, usage - and therefore costs - of electricity can be substantial. Although they are a relatively small contributor to total costs, they can play a role in the location decision-making process.

Electricity costs vary by size of user, amounts used, when used (e.g. during peak or off peak hours, summer and winter) and distributor (i.e. directly from Ontario Hydro or from municipal electrical commissions).

An analysis undertaken by the Regional Municipality of Hamilton-Wentworth provides some illustrative costs comparison for an industrial and commercial user.

The analysis of electricity costs (Figure 40 and Figure 41) shows that in general Hamilton appears to have a cost advantage over most of the other markets examined.

Realty Taxes

For the comparison of realty taxes across the various competitive markets, the following types of properties were selected to illustrate key industrial sectors:

- Full-service hotel (to represent the "tourism" sector)
- Regional shopping centre (to represent the "retail trade" sector)
- Class A office space (to represent larger "business services" and "FIRE" sectors)
- Class B office space (to represent smaller "business services")
- Industrial "single-purpose" (to represent larger manufacturing companies)
- Industrial "standard" property (to represent medium-sized manufacturing companies)
- Industrial "multi-unit" (to represent small manufacturing companies, business services, warehousing, etc.)

Figure 40

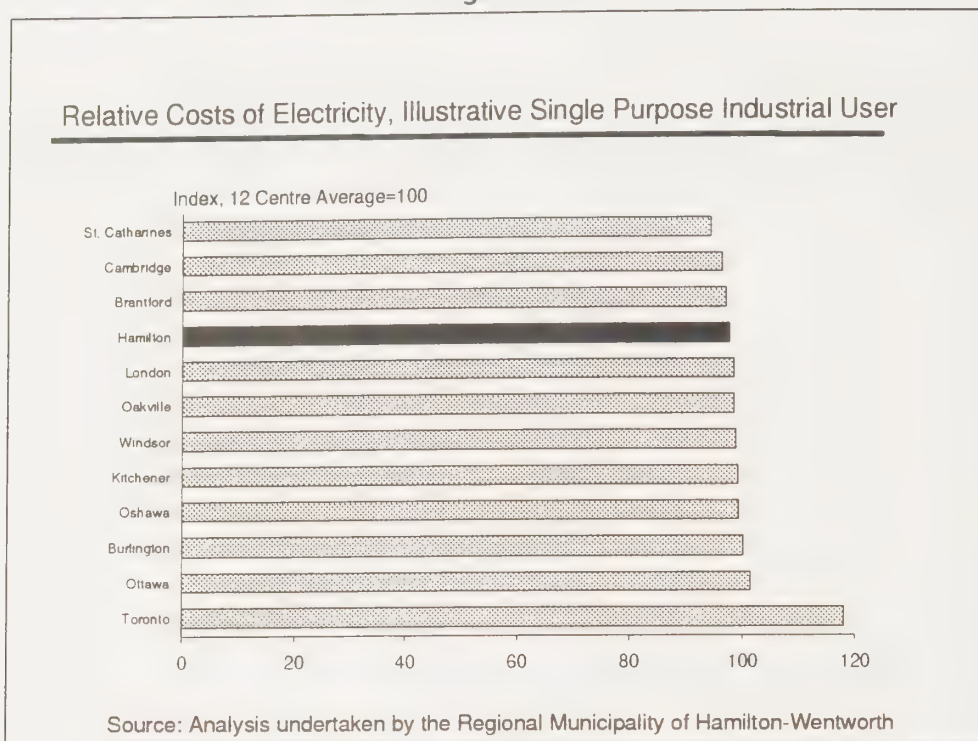
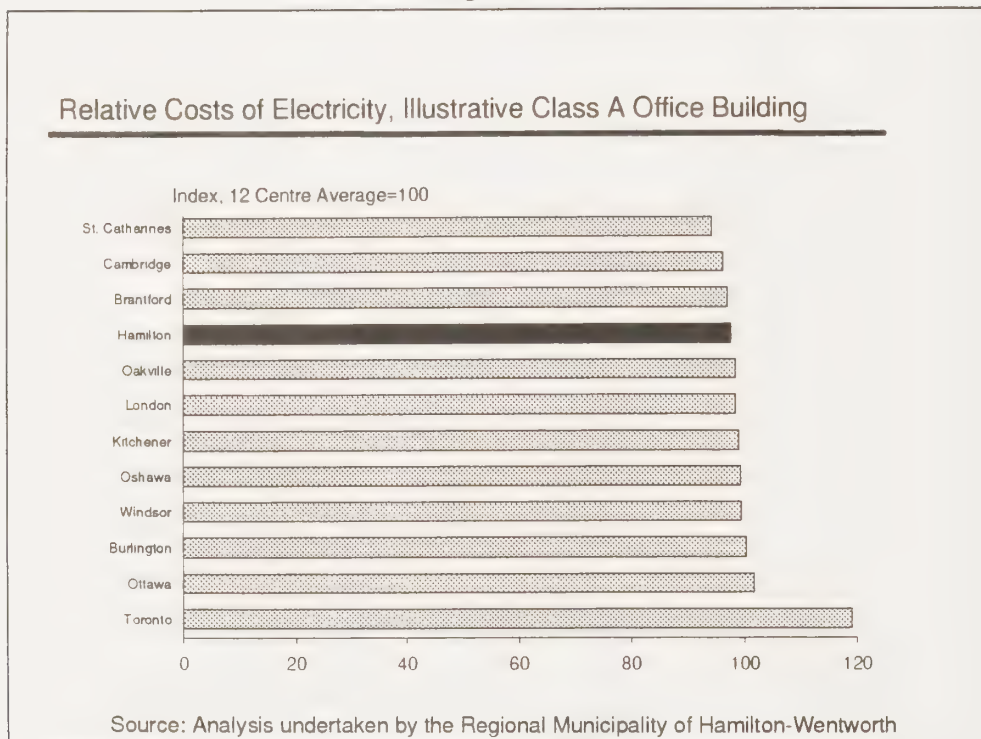


Figure 41



The information here is from a more detailed analysis of realty taxes prepared by Colliers International. In that separate analysis, 19 various property groups were examined.

The Colliers analysis first looked at variation in applied tax rates for different property classes across the various markets. This analysis showed that Hamilton-Wentworth tax rates are typically higher than in the other centres.

The second stage of the Colliers analysis was to look at the dollar value of taxes paid on representative properties in each of the markets on a "per unit" basis (e.g. per square foot, per unit, per suite, etc.). This exercise recognizes that resulting taxes paid are a function of both the tax rates in each municipality, as well as assessed market values.

The comparison (see Figure 42 through Figure 48) indicates that Hamilton's relative position with respect to realty taxes paid varies by type of property.

- **Relatively favourable:** Hamilton does not have favourable realty taxes for any of the business property classes examined here.
- **Relatively unfavourable:** For full service hotels, regional shopping centres, Class A office space, industrial single-purpose and industrial standard properties, Hamilton's realty taxes were shown to be the among the highest of the competitive markets examined.
- **Neither favourable/unfavourable:** For Class B office space and industrial multi-purpose properties, Hamilton's realty taxes were towards the middle of the rankings.

Figure 42

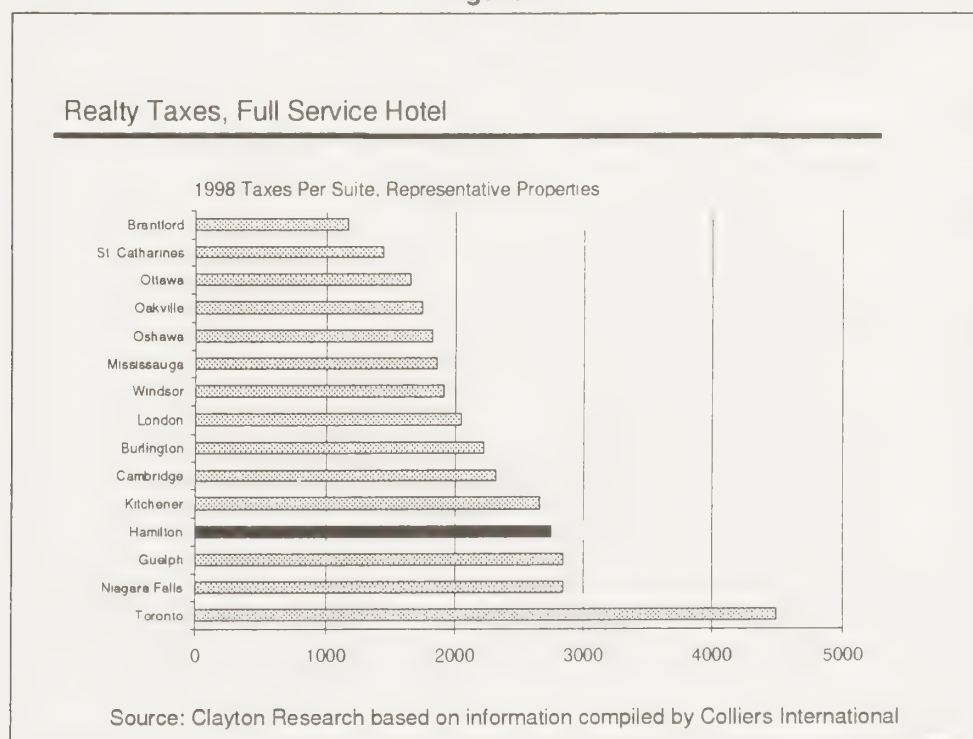
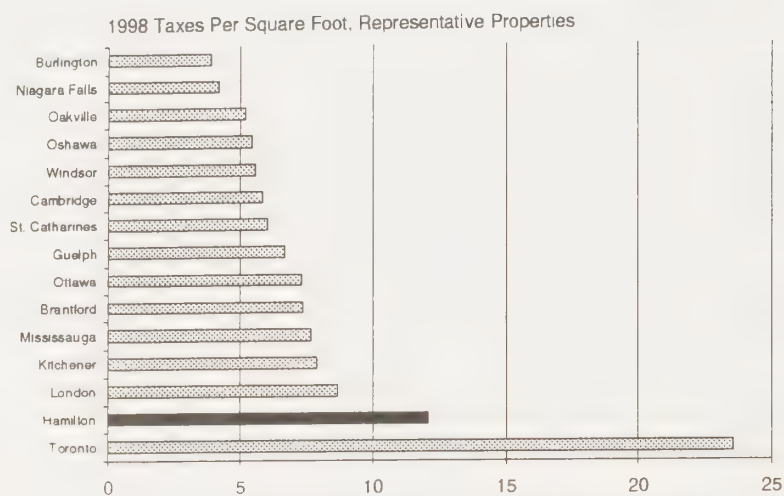


Figure 43

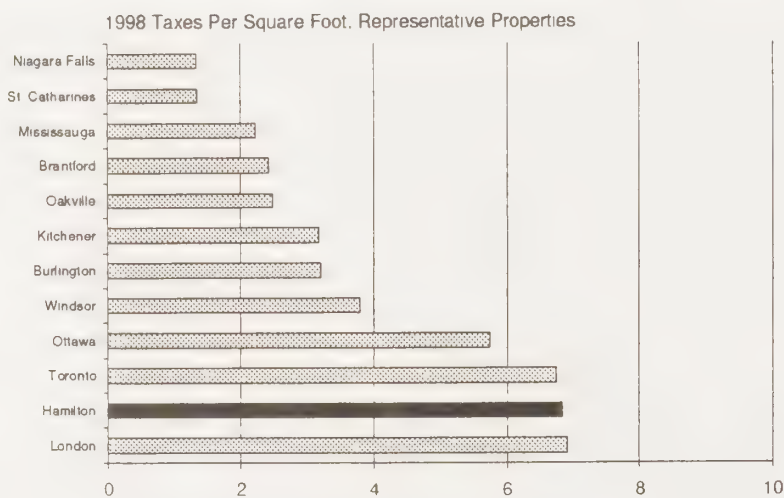
Realty Taxes, Regional Shopping Centre



Source: Clayton Research based on information compiled by Colliers International

Figure 44

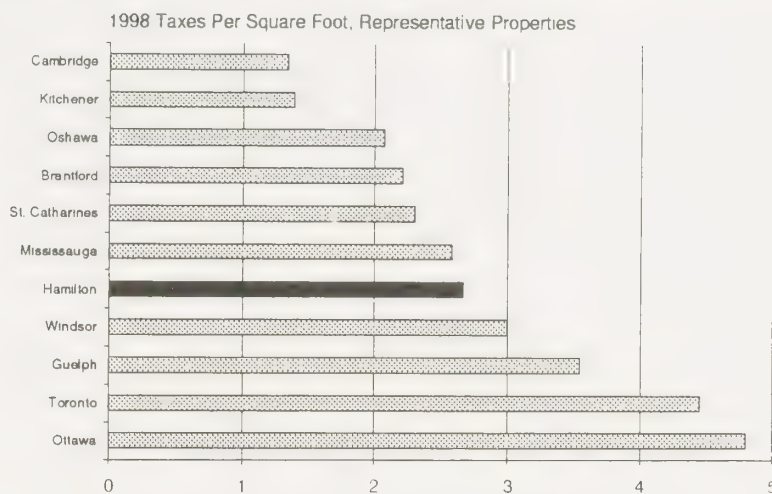
Realty Taxes, Class A Office Space



Source: Clayton Research based on information compiled by Colliers International

Figure 45

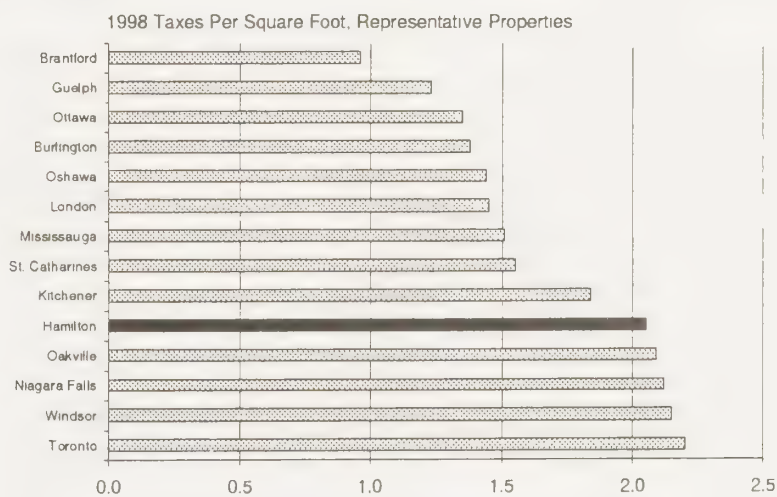
Realty Taxes, Class B Office Space



Source: Clayton Research based on information compiled by Colliers International

Figure 46

Realty Taxes, Industrial Single Purpose



Source: Clayton Research based on information compiled by Colliers International

Figure 47

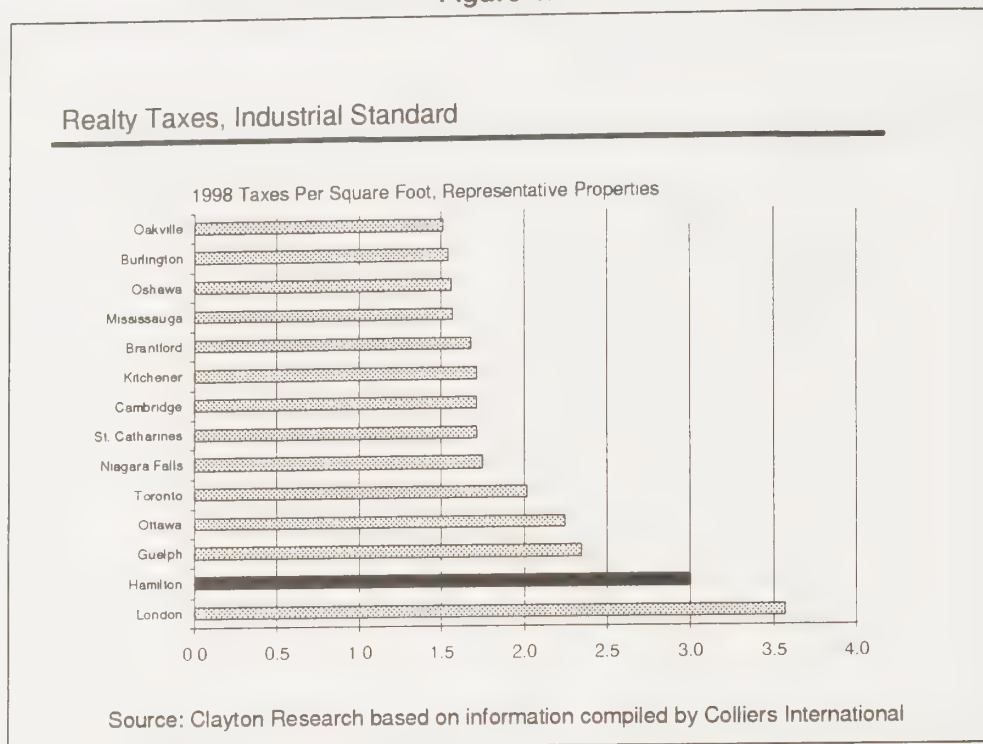
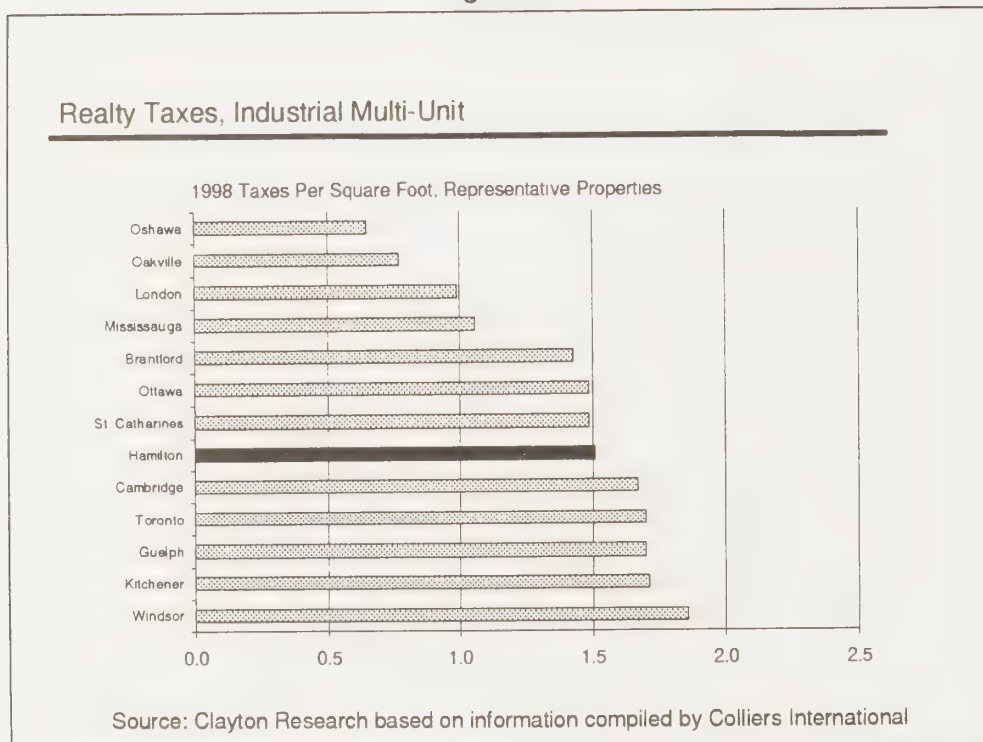


Figure 48



OTHER FACTORS WHICH IMPACT COMPETITIVENESS

There are other factors which companies take into consideration when deciding to locate in one Southern Ontario market rather than another which are not as readily quantifiable in dollar terms, such as:

- Distance to major markets;
- Transportation access (major roads, rail/airport facilities, etc.);
- Availability of labour;
- Quality of life (for workers and management).

Each of these factors is looked at briefly below.

Distance to Major Markets

For purposes of this analysis, the following key distances were tracked:

- Distance to GTA (Ontario's major market);
- Distance to Detroit (midwest U.S. border access)
- Distance to Buffalo (eastern U.S. border access)

Hamilton ranks very favourably in terms of its "central" position relative to the three major points (Figure 49). It ranks near the middle of the list in terms of distance to Toronto and Detroit, and among the top 3 markets in terms of its distance to Buffalo. On a combined distance basis in terms of the three key points, Hamilton ranks a close second behind Burlington.

Figure 49

Distance to Markets								
	To Toronto		To Detroit		To Buffalo		Combined Distance	
	km	rank	km	rank	km	rank	km	rank
Brantford	99.1	9	289.5	3	151.2	7	539.8	5
Burlington	59.2	5	329.4	8	113.3	4	501.9	1
Cambridge	104.6	10	294.3	5	156.7	9	555.6	7
Guelph	75.1	7	328.1	7	153.7	8	556.9	8
Hamilton	73.4	6	321.0	6	108.8	3	503.2	2
Kitchener	96.4	8	291.1	4	174.9	11	562.4	9
London	182.5	13	200.5	2	253.7	13	636.7	12
Mississauga	25.6	2	363.0	10	145.0	6	533.6	4
Niagara Falls	144.2	12	414.3	13	43.8	1	602.3	11
Oakville	40.4	3	348.2	9	130.2	5	518.8	3
Oshawa	59.1	4	440.1	14	221.1	12	720.3	13
Ottawa	396.6	15	777.6	15	538.7	15	1712.9	15
St Catharines	121.8	11	392.0	12	48.8	2	562.6	10
Toronto	0.0	1	369.4	11	170.6	10	540	6
Windsor	344.3	14	25.1	1	415.6	14	785	14

(1) City-to-City distances based on most direct highway route
Source: Clayton Research based on data from www.mapquest.com, (Geosystems Global Corporation)

Transportation Access

Hamilton's transportation access/facilities in general is more favourable than most of the competitive markets.

In terms of highways (Figure 50), Hamilton has good access to Toronto and the Buffalo border via the QEW; the recent widening of the QEW has enhanced the Buffalo access. While Hamilton does not have the key direct access to the 401, the extension of the 403 to link up with the 401 has greatly improved Hamilton's access to the Detroit border.

Hamilton's road access will be further enhanced by the Red Hill Creek Expressway (scheduled for completion in 1999), which will link the QEW near Stoney Creek to Highway 403 and the Hamilton International Airport near Ancaster.

Mississauga's strong job creation in the 1981-1996 period (refer back to Figure 22) is at least in part attributable to its favourable positioning near major transportation routes - there is access to 7 different 400 series highways from Mississauga (Figure 50).

Hamilton, along with Toronto, are the only competitive markets in Southern Ontario with all major modes of transportation facilities - both railway lines, an international airport and port facilities (Figure 51).

Figure 50

400 Series Expressway Interchange Locations

	QEW	400	401	402	403	404	405	406	407	409	410	417	420	427
Brantford					√									
Burlington	√				√									
Cambridge			√											
Guelph														
Hamilton	√				√									
Kitchener														
London			√	√										
Mississauga	√		√		√				√	√	√			√
Niagara Falls	√						√						√	
Oakville	√				√									
Oshawa			√											
Ottawa												√		
St. Catharines	√						√	√						
Toronto		√	√			√			√					√
Windsor			√											

Source: Clayton Research

Figure 51

Major Transportation Facilities

	CN	CP	International Airport	Port
Brantford	√			
Burlington	√	√		
Cambridge	√	√		
Guelph	√	√		
Hamilton	√	√	√	√
Kitchener	√	√		
London	√		√	
Mississauga	√	√	√	
Niagara Falls	√	√		
Oakville	√	√		
Oshawa	√	√		√
Ottawa	√	√	√	
St. Catharines	√			√
Toronto	√	√	√	√
Windsor	√	√		√

Source: Clayton Research

Availability of Labour

As a general indicator of the available labour in each market, a comparison of overall unemployment rates was made.

The comparison was done first based on 1996 Census of Canada data, as this provides the most comprehensive information available on unemployment rates on a local municipality level. These data show that in 1996 the City of Hamilton was in the top 5 centres in terms of excess supply of available labour (Figure 52). Lower unemployment rates in the rest of the region, however, meant that the overall Hamilton-Wentworth unemployment rate was much lower.

More recent, and less comprehensive, information from the Labour Force Survey indicates that much of the excess labour supply in the Hamilton area has been worked down in the past couple of years (Figure 53). The unemployment rate declined from 7.4 percent on average in 1996 to 5.2 percent in 1998.

Caution, however, should be used in extrapolating Hamilton-Wentworth labour market trends from the Hamilton CMA data, as the latter also includes Burlington (as well as Grimsby). Note that the lower 1996 unemployment rate for the Hamilton CMA based on the Labour Force Survey (7.4 percent) compared to the Hamilton-Wentworth unemployment rate based on the Census (9.1 percent) in large part reflects the inclusion of Burlington and Grimsby in the Hamilton CMA data. As shown on Figure 52, Burlington had a substantially lower unemployment rate in 1996 than Hamilton-Wentworth (5.4 percent); the unemployment rate in Grimsby in 1996 was also lower (6 percent). In the case of considering the availability of labour, however, use of the Hamilton CMA data may be warranted. This is because it represents a "labour market area" - and that is what many businesses will consider in their decision-making.

Figure 52

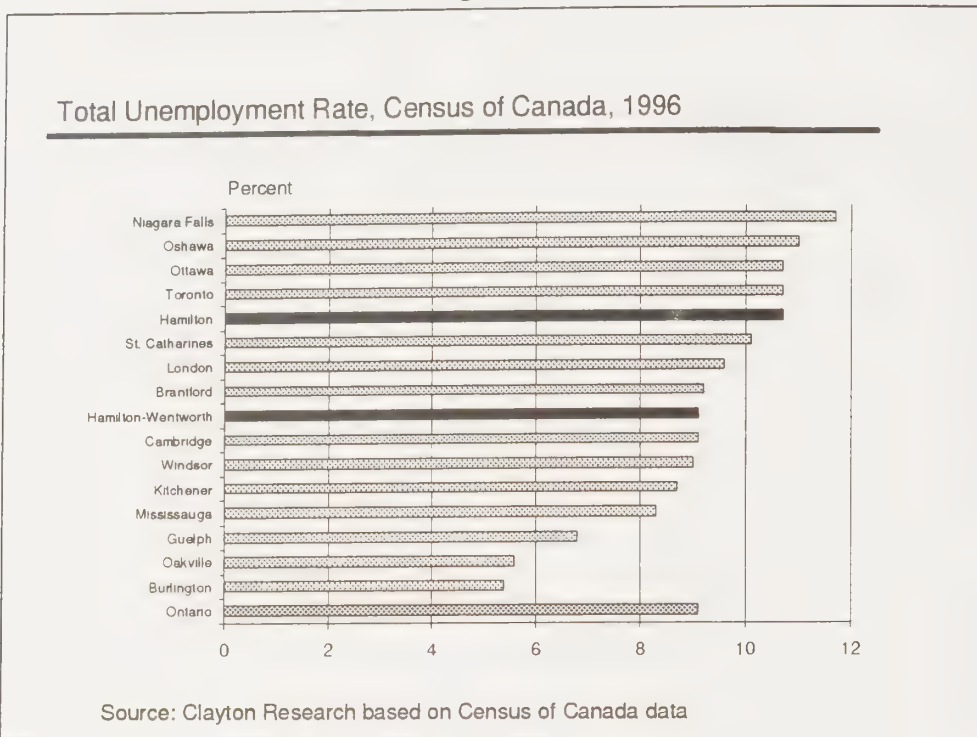
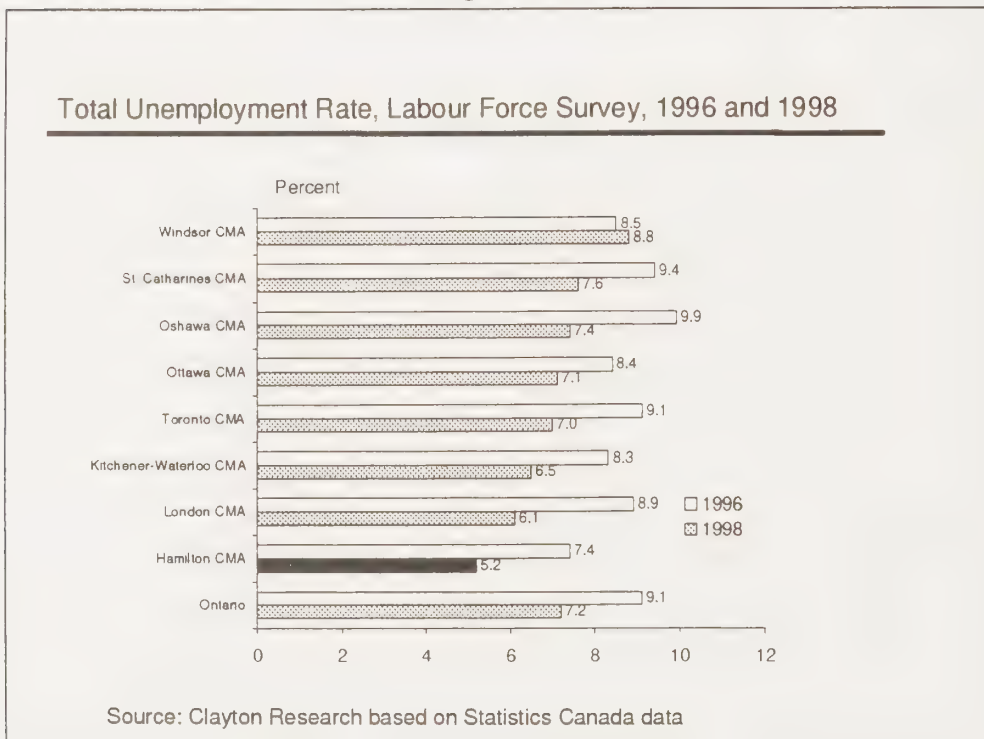


Figure 53



Quality of Life Considerations

In addition to the hard costs of doing business, quality of life considerations for its employees are often an important factor in a company's decision on where to locate its business.

The following quality of life considerations were compared across Hamilton-Wentworth and the 14 selected competitive markets for the following factors:

- Cost of living; and
- Crime rates.

Each of these are examined in more detail in the next sections.

Cost of living

The cost of living in a particular market not only impacts the quality of life of workers, but can also impact the costs of doing business if higher wages are required to attract labour to markets where the cost of living is higher.

Housing cost is the largest component of the cost of living for most workers; it is also the cost that can vary the most by market area.

Census of Canada data on average home values across the various markets indicate that Hamilton-Wentworth ranks well in terms of relative low costs of rental housing (Figure 54). On the ownership side (Figure 55), the City of Hamilton compares favourably but higher house prices in other municipalities in the Region reduce its rank overall.

Crime Rates

The sense of community security that a company is able to offer to employees and management can also play a role in location decision-making.

Data on crime rates in Ontario's major centres suggests that Hamilton ranks about average in respect to overall criminal code crimes (Figure 56). In terms of violent crime (such as murder, rape, etc.), however, it fares the worst.

Figure 54

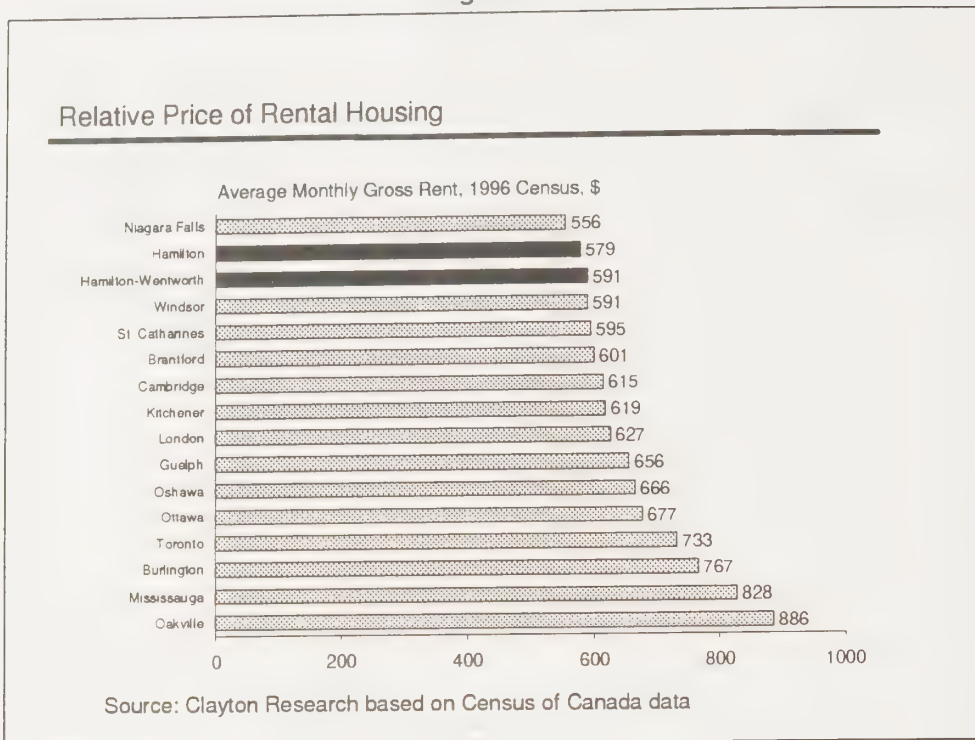


Figure 55

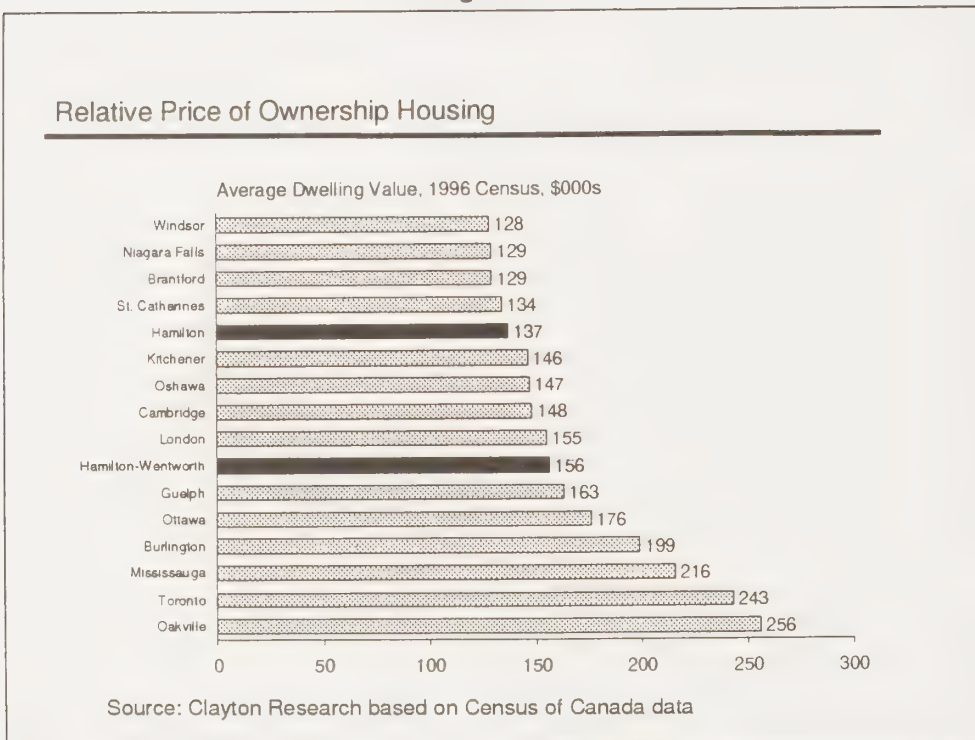
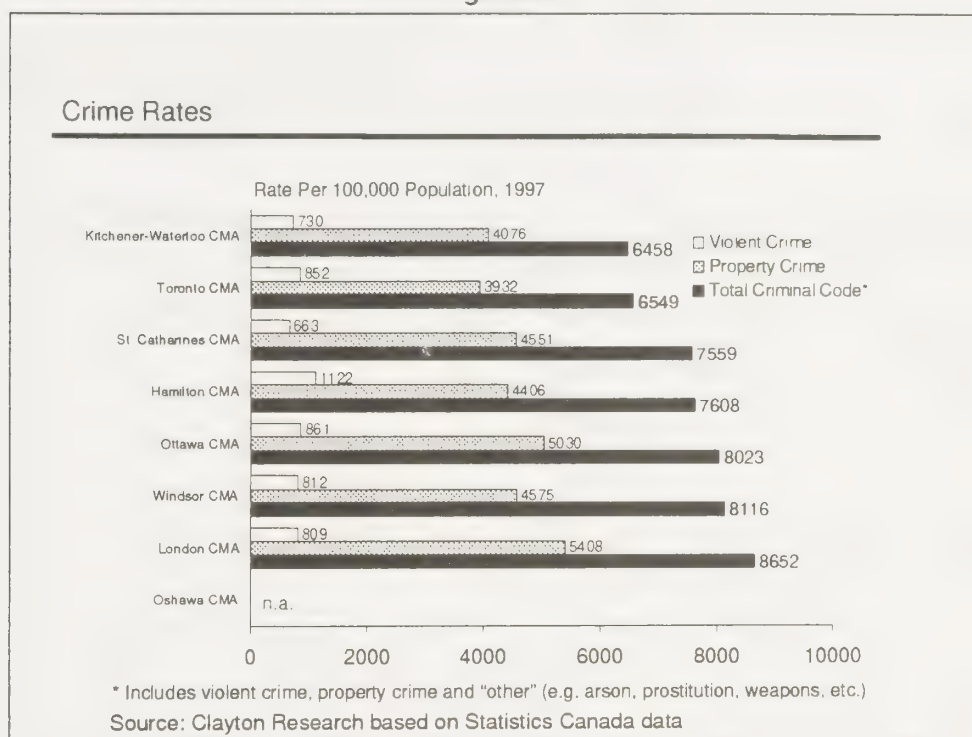


Figure 56



CHAPTER 4: PROSPECTS FOR THE HAMILTON-WENTWORTH ECONOMY

Based on the assessment of future growth in Ontario by sector, and Hamilton-Wentworth's competitive position, Hamilton-Wentworth's future growth prospects by sector are assessed.

HAMILTON-WENTWORTH'S FUTURE ECONOMIC GROWTH PROSPECTS

This section explores Hamilton-Wentworth's potential future growth prospects within the context of the Ontario-wide expectations.

The "Equal Growth" Scenario

Based on the sectoral analysis in Chapter 3, a first look at Hamilton-Wentworth's growth prospects was made, based on a "equal growth" situation - that is, that Hamilton-Wentworth's growth rate by sector is similar to that expected by sector for Ontario as a whole.

This scenario implies that the employment base in Hamilton-Wentworth would grow at a rate slightly below that of the province as a whole - 2% on average each year, compared to the Ontario-wide rate of 2.2%. The lower rate of growth is primarily due to the weaker relative performance of the primary metals sector (refer back to Figure 33), and its larger relative importance to the Hamilton-Wentworth economy.

Under this scenario, about 45,000 jobs would be created over the next 10 years. Manufacturing would be the sector creating the most jobs, followed by wholesale and retail trade and business services.

This is a relatively simplistic approach, and does not take into account the intricacies of modelling employment growth in any market. Nor does it take into account that Hamilton-Wentworth over the longer term has been lagging Ontario-wide growth rates. However, it does provide a broad view of what Hamilton-Wentworth might expect through the period to 2006 if it is able to capture its "fair share" of Ontario-wide growth.

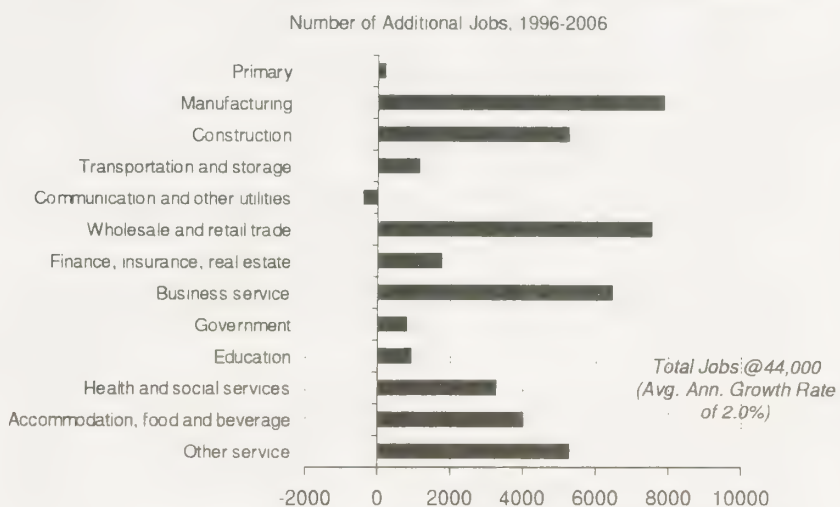
The "Past Performance" Scenario

While the "equal growth" scenario is interesting to look at in terms of the potential growth that Hamilton-Wentworth could aspire to, the reality (as shown in Figure 58), is that Hamilton-Wentworth's job creation as a whole over the past 10 years, and in several sectors, has been below the Ontario average.

In the "past performance" scenario, the 10 year average difference, in percentage points, in Hamilton-Wentworth's growth rates by sector relative to those of Ontario are applied to the expected Ontario growth rates by sector over the 1996-2006 period. Under this scenario, Hamilton-Wentworth achieves an overall employment growth rate of about 1.4% per year on average in 1996-2006 - well below the Ontario-wide average of 2.2%, but still above its rate of job growth in the past 15 years. Under the "past performance" scenario, about 29,000 jobs would be created over the next 10 years (Figure 59). Business services and trade would be the leading growth sectors.

Figure 57

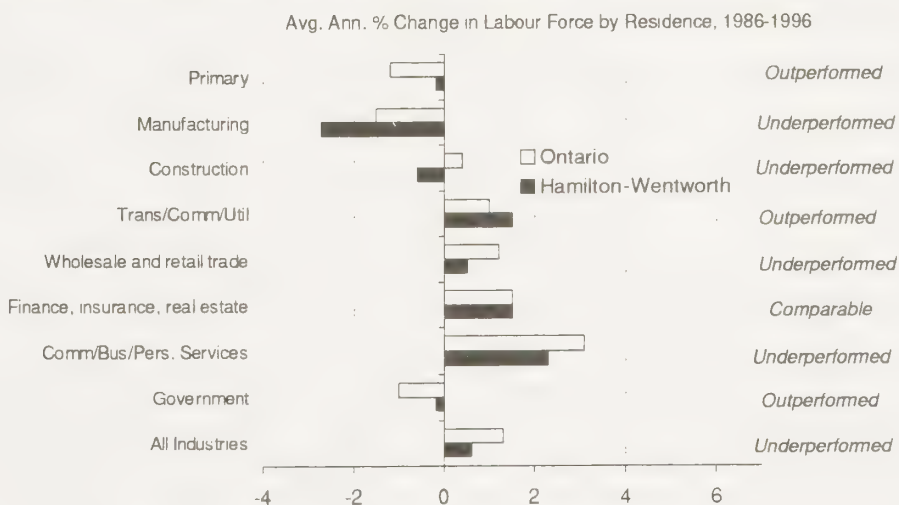
Potential Job Creation by Sector, Hamilton Wentworth "Equal Growth" Scenario



Source: Clayton Research based on Census of Canada data

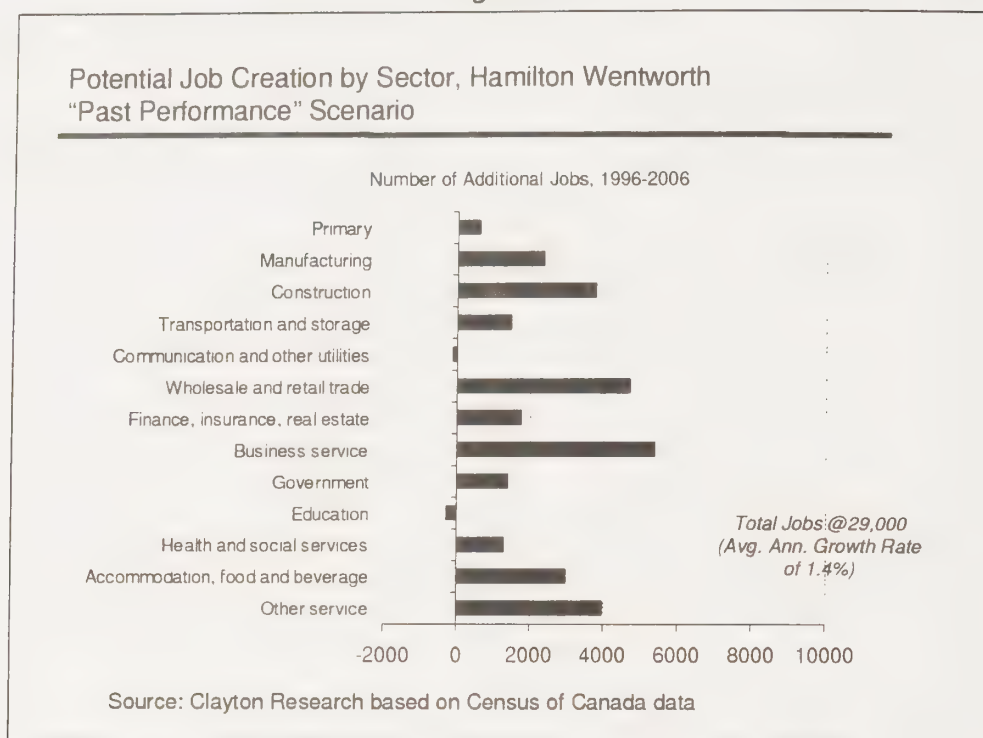
Figure 58

Relative Employment Growth Rates by Sector Ontario and Hamilton-Wentworth



Source: Clayton Research based on Census of Canada data

Figure 59



Which scenario is Hamilton-Wentworth more likely to achieve? That will depend on the extent to which it is able to build successfully on its competitive advantages and take actions to overcome its current disadvantages.

OPPORTUNITIES AND RISKS FOR HAMILTON-WENTWORTH BY SECTOR

In this section, potential opportunities and risks by industrial sector for Hamilton-Wentworth are examined.

Criteria for Consideration

To undertake the analysis of which sectors offer the most opportunity - or risk - for Hamilton-Wentworth, the following factors were considered:

- The **nature of the sector, in terms of its "targetability"** - growth in opportunities in certain sectors, such as personal services, education, health, government arise out of population growth, and the needs of a growing population. In effect, they are "tied" to the population in a location - these are often referred to as "non-basic" industries. "Basic" industries, on the other hand, in theory, they can locate wherever, because they are serving a much broader market (although location specific factors such as costs will determine where they actually do locate). Those sectors with high targetability can offer opportunities to attract new business or existing business from other areas - but they are also sectors which offer the most risk, since existing business could be "lured" away if cost competitiveness is not maintained;

- The **relative growth rate for the sector Ontario-wide** (in terms of both output and jobs) - those sectors where the Ontario-wide growth is higher offer relatively more opportunities; conversely, those sectors with lower or negative growth rates offer fewer opportunities and suggest existing business in those sectors may be at risk;
- The **absolute size of the opportunity** (i.e. the total number of new jobs expected Ontario-wide) - if the sector is a relatively large one, even with a lower growth rate, the absolute number of jobs expected to be created may be large; similarly, a sector with a large growth rate, but a low starting base, offers fewer opportunities in total;
- The **current importance of the sector to the Hamilton-Wentworth economy**; and
- **Hamilton-Wentworth's comparative advantage/disadvantage** in terms of attracting business from that sector.

A summary of the analysis of the sector related factors is shown on Figure 60. For each factor, the sectors which fall within the top third in the ranking are bolded. The results for each factor are discussed in the subsequent sections. This is followed by a consideration of Hamilton-Wentworth's competitive advantages/disadvantages related to various factors.

Figure 60

Sector	Sector Targetability	Ontario-wide Sector Avg. Ann. Output Growth Rate 1996-2006		Ontario-wide Sector Avg. Ann. Job Growth Rate 1996-2006		Ontario-wide Size of the Opportunity 1996-2006		Current Importance to the HW Economy 1996 Jobs	
		%	Ranking	%	Ranking	Jobs (000s)	Ranking	%	Ranking
Agriculture	Low	2.4	16	0.5	17	6	17	1.7	18
All Other Primary	Low	1.4	19	0.3	19	1	19	0.2	21
Food and Beverage Manufacturing	High	1.9	18	1.0	14	8	16	2.0	16
Primary Metals Manufacturing	High	3.2	12	0.8	16	4	18	5.4	8
Fabricated Metals Manufacturing	High	4.7	5	3.2	3	33	11	2.1	15
Transportation Equipment Manufacturing	High	4.0	9	1.1	13	19	14	2.7	14
Electronic and Electrical Manufacturing	High	5.5	3	2.7	7	23	13	1.4	19
Manufacturing, All Other	High	4.7	5	2.2	8	101	5	7.2	5
Construction	Low	4.6	7	4.1	2	125	3	5.4	7
Transportation and Storage	Moderate	4.1	8	1.7	9	35	10	3.0	13
Communications	High	6.6	1	-1.1	21	11	21	1.8	17
Utilities	Moderate	2.4	16	-0.2	20	-1	20	0.9	20
Wholesale Trade	Moderate	5.2	4	3.2	3	97	6	5.3	9
Retail Trade	Low	3.0	13	1.4	11	94	7	12.0	2
Finance, Insurance, Real Estate	Moderate	2.8	14	1.7	9	59	9	4.9	11
Business Services	Moderate	5.7	2	5.1	1	249	1	5.0	10
Government Services	Low	0.6	20	1.0	14	29	12	3.9	12
Educational Services	Low	-0.4	21	0.5	17	19	14	8.5	3
Health and Welfare Services	Low	3.5	11	1.2	12	62	8	13.1	1
Accommodation, Food, Beverage Services	Moderate	4.0	9	3.0	6	109	4	5.9	6
Other Services	Low	2.6	15	3.1	5	136	2	7.5	4

Source: Clayton Research

Sector Targetability

The sectors which have been assessed as being “high” in terms of the industries being more footloose in nature, as opposed to tied to growth in the local population are the **six manufacturing sectors** under consideration, as well as the **communications** sector.

As discussed earlier, however, some sectors, such as communications are expected to make their gains primarily through productivity improvements, and will therefore not perform as well in terms of job growth. The **fastest rates of job growth** are expected in the following sectors:

- Business Services
- Construction
- Fabricated Metals Manufacturing
- Wholesale Trade
- “Other Services”
- Accommodation, Food and Beverage Services (the “tourism” sector)
- Electronic and Electrical Manufacturing

The Size of the Opportunity

The sectors in which the largest number of jobs are expected to be created in Ontario over the 1996-2006 period are:

- Business Services
- “Other” Services
- Construction
- Accommodation, Food and Beverage Services
- “Other” Manufacturing
- Wholesale Trade
- Retail Trade

Current Importance to the Hamilton-Wentworth Economy

The sectors which are currently of the most importance to the Hamilton-Wentworth economy in terms of the number of jobs are as follows:

- Health and Welfare
- Retail Trade
- Education
- "Other" Services
- "Other" Manufacturing
- Accommodation, Food and Beverage Services
- Construction

Hamilton-Wentworth's Comparative Advantages/Disadvantages

Hamilton-Wentworth's comparative advantages and disadvantages vis-à-vis the other competitive markets were examined separately for measurable hard costs and other factors. The results are shown on Figure 61 and Figure 62.

The main area of the charts indicates whether Hamilton-Wentworth costs are "favourable" (i.e. costs fall within in the lowest 1/3 of the competitive markets examined), "unfavourable" (i.e. among the highest 1/3 of the centres) or "typical" (i.e. among the middle 1/3 of the centres).

The relative importance of each factor in terms of its contribution to the costs of doing business (in the case of hard costs) or its importance in general in the location decision-making process (in terms of non-cost factors) is also indicated.⁷ This is important in assessing the overall contribution of the factor to the location decision. For example, if Hamilton-Wentworth has relatively favourable electricity costs, but electricity costs make only a small contribution to overall costs, then this advantage is somewhat muted.

Also considered is the degree of variation in the factor between the competitive markets.⁸ Again, Hamilton-Wentworth may have favourable electricity costs, but if the degree of variation by markets is low, then this advantage is not a large one.

⁷ Information in the KPMG study, *A Comparison of Business Costs in North America, Europe and Japan*, was used to assess in broad terms the relative importance of each "hard cost" factor, as well as the relative importance of other factors in the location decision-making process.

⁸ For hard costs, the degree of variation was determined by calculating the "coefficient of variation" (or c.v.). The c.v. measures the variation amongst the data as a group from the average. For purposes of this study, a low c.v. is 0-16%, moderate from 17-33% and high more than 33%.

The analysis shows that for each sector, Hamilton-Wentworth has a comparative advantage in terms of both construction costs and electricity costs. However, the degree of variation between centres in these two factors is low. And in the case of electricity costs, it is also a low contributor to overall costs.

With respect to other hard cost factors, Hamilton-Wentworth does not appear to have many advantages over the other markets:

- **Vacant land costs:** Hamilton-Wentworth has typical vacant land costs.
- **Labour costs:** Hamilton-Wentworth has favourable costs in the food and beverage manufacturing, transportation equipment manufacturing and “other” manufacturing sectors. As labour costs are the key contributor to on-going business costs, this is an important advantage for these sectors, although the variation among different competitive markets is low.
- **Realty taxes:** while realty taxes play a relatively smaller role than labour costs in total on-going location-sensitive business costs, they have a high degree of variation by centre. Hamilton-Wentworth's realty taxes are generally unfavourable, which puts it at some risk of losing business and hinders its chances of attracting new businesses.

In terms of the non-cost location-sensitive factors (Figure 62), Hamilton-Wentworth compares favourably in terms of distance to markets, transportation facilities and cost of living. Only in terms of availability of labour is the situation unfavourable (i.e. a relatively low unemployment rate in the Hamilton CMA, which is the market area that prospective business would consider in assessing this factor).

Summary Of Opportunities And Risks By Sector

This section summarizes the potential opportunities and risks of various sectors based on the preceding analysis of the sector's targetability, growth rate, size of the opportunity, current relative importance to the Hamilton-Wentworth economy, and Hamilton-Wentworth's relative advantages/disadvantages. A summary is provided on Figure 63.

The assessment includes conclusions as to the extent to which the sector offers potential opportunities for gaining new businesses or risks of losing existing businesses. It also considers whether targeted efforts may be warranted for that sector

Targeted efforts for the purposes of this study are considered to be initiatives aimed specifically at attracting or retaining business in the sector under consideration. The maintenance of a favourable business environment in general, and any across-the-board efforts to attract business in general (for example, lowering realty tax rates across all business related property classes), are considered to be part of an overall strategy as opposed to sector specific initiatives.

Figure 61

Hamilton-Wentworth's Competitive Position by Sector Based on the Location-Sensitive "Hard Costs" of Doing Business

Sector	Vacant Land Costs	Construction Costs	Labour Costs	Electricity Costs	Realty Taxes
<i>Factor Contribution to Business Costs</i>	<i>Moderate</i>	<i>Moderate</i>	<i>High</i>	<i>Low</i>	<i>Low</i>
<i>Degree of Variation by Centre</i>	<i>High</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Moderate to High*</i>
Hamilton-Wentworth's Costs Compared to Other Competitive Markets					
Agriculture	na	na	Unfavourable	na	na
All Other Primary	na	na	na	na	na
Food and Beverage Manufacturing	Typical	Favourable	Favourable	Favourable	Unfavourable
Primary Metals Manufacturing	Typical	Favourable	Typical	Favourable	Unfavourable
Fabricated Metals Manufacturing	Typical	Favourable	Unfavourable	Favourable	Unfavourable
Transportation Equipment Manufacturing	Typical	Favourable	Favourable	Favourable	Unfavourable
Electronic and Electrical Manufacturing	Typical	Favourable	Typical	Favourable	Unfavourable
Manufacturing, All Other	Typical	Favourable	Favourable	Varies	Typical to Unfavourable
Construction	Typical	Favourable	Unfavourable	Favourable	Typical
Transportation and Storage	Typical	Favourable	Typical	Favourable	Unfavourable
Communications	Typical	Favourable	Typical	Favourable	Unfavourable
Utilities	Typical	Favourable	Unfavourable	Favourable	Unfavourable
Wholesale Trade	Typical	Favourable	Unfavourable	Favourable	Typical
Retail Trade	Typical	Favourable	Typical	Typical	Unfavourable
Finance, Insurance, Real Estate	Typical	Favourable	Unfavourable	Favourable	Unfavourable
Business Services	Typical	Favourable	Typical	Favourable	Typical to Unfavourable
Government Services	Typical	Favourable	Typical	Favourable	na
Educational Services	Typical	Favourable	Typical	Favourable	na
Health and Welfare Services	Typical	Favourable	Typical	Favourable	na
Accommodation, Food, Beverage Service	Typical	Favourable	Unfavourable	Favourable	Unfavourable
Other Services	Typical	Favourable	Typical	Favourable	Typical to Unfavourable

* Varies by property class

Source: Clayton Research

Figure 62

Hamilton-Wentworth's Competitive Position Other Factors

	Distance to Markets	Transportation Access		Availability of Labour	Quality of Life	
		Highway	Other		Costs of Living	Crime Rate
<i>Factor Importance in Location Decision-making</i>	<i>High</i>	<i>High</i>	<i>Moderate</i>	<i>High</i>	<i>Moderate</i>	<i>High</i>
<i>Degree of Variation by Centre</i>	<i>High</i>	<i>High</i>	<i>High</i>	<i>Low</i>	<i>Low to Moderate</i>	<i>Low</i>
Hamilton-Wentworth's Situation Compared to Other Competitive Markets	Favourable	Favourable	Favourable	Unfavourable*	Favourable	Typical

* Based on the Hamilton CMA labour market

Source: Clayton Research

Primary Sector

The primary sector is expected to be a low growth sector over the next 10 years. This, combined with its low "targetability" and the relatively small role that it currently plays in the Hamilton-Wentworth economy, do not make it a key sector for targeted efforts.

Manufacturing

Because of its high degree of targetability, as well as its current relative importance to the Hamilton-Wentworth economy, the manufacturing sector offers the most opportunities and risks. In terms of key subsectors which offer higher opportunities or risks:

- **Primary Metals (i.e. the steel industry):** this is expected to be a low growth sector in terms of the number of new jobs created through 2006. However, this is a relatively "good news" story, after the devastating impacts of the downsizings and restructuring that occurred over the past 10 years. As restructuring efforts wind down, the risk of losing additional jobs due to this factor has been reduced. However, other risks remain or are emerging:
 - **The sector's high reliance on export markets** means that the inclusion of steel imports in a trade war with the U.S. is a potential major threat, although it would likely be a short-term situation. It also makes this sector susceptible to downturns in the U.S. economy.
 - **The sector's high degree of targetability** makes it somewhat susceptible to targeted efforts from other jurisdictions to attract business to their area.
 - **High realty taxes relative to other areas** are also a negative factor.

Due to its current importance to the Hamilton-Wentworth economy, this sector warrants targeted actions to reduce the risks to the existing base.

- **"Other" manufacturing:** this group includes such a range of activities. As a whole, this sector offers high targetability, above average growth rates, sizeable number of jobs, and an existing strong base within Hamilton-Wentworth. Hamilton-Wentworth appears to have a competitive advantage in this sector in terms of labour costs, which as discussed earlier is the key component on on-going business costs. And in terms of smaller manufacturing operations, those that can be accommodated in multi-unit industrial properties would not be subject to the relatively higher realty tax rates that other industrial property types appear to be incurring. Moreover, favourable distances to key markets and good transportation access relative to some markets is an advantage. The potential to attract new businesses makes this a key sector for targeted efforts.

Figure 63

Opportunities and Risks by Sector

<u>Sector</u>	<u>Potential Opportunity for New Business/Jobs</u>	<u>Risks of Losing Existing Business/Jobs</u>	<u>Does Sector Warrant Targeted Efforts?</u>
Agriculture	Low	Moderate	No
All Other Primary	Low	Moderate	No
Food and Beverage Manufacturing	Low	Moderate	No
Primary Metals Manufacturing	Low	High	Yes
Fabricated Metals Manufacturing	Moderate	Moderate	No
Transportation Equipment Manufacturing	Moderate	Moderate	No
Electronic and Electrical Manufacturing	Moderate	Moderate	No
Manufacturing, All Other	High	Moderate	Yes
Construction	High	Low	No
Transportation and Storage	Low	Moderate	No
Communications	High	Moderate	Maybe
Utilities	Low	Moderate	No
Wholesale Trade	High	Moderate	No
Retail Trade	High	Moderate	No
Finance, Insurance, Real Estate	Moderate	Moderate	Maybe
Business Services	High	Moderate	Yes
Government Services	Low	Moderate	No
Educational Services	Low	Moderate	No
Health and Welfare Services	Low	Moderate	No
Accommodation, Food, Beverage Service	High	Moderate	Yes
Other Services	High	Moderate	No

Source: Clayton Research

Construction

While Ontario-wide growth in this sector is expected to be relatively strong compared to the past 10 years, it is a sector with a low degree of targetability. Rather, construction work will result from strength in other sectors (as more homes or retail space are needed to accommodate an expanding population, or offices and factories to accommodate new businesses, etc.). It does not warrant targeted efforts.

Transportation, Communication and Other Utilities

Transportation and **other utilities** sectors are not high growth sectors in terms of the number of jobs expected to be created Ontario-wide, so they do not offer a lot of opportunity. And as they do not form a major component of the existing job base, they are not a high risk sector either. Neither of these sectors warrants targeted efforts.

Ontario-wide, the **communications** sector is expected to be a high growth sector in terms of output, but not jobs. This is because new business will be needed to accommodate expanding communications needs, while at the same time productivity increases will reduce employees in existing businesses. Because this sector is currently a minor one in terms of Hamilton-Wentworth's economy, the risk of losing jobs due to productivity gains is moderate relative to other markets where this sector plays a stronger role. In terms of attracting new business, the lack of a strong existing base in this sector puts Hamilton-Wentworth at a disadvantage in attracting new business. Targeted efforts would likely need to be substantial to overcome these shortfalls and attract business to this sector, and would likely be more costly than other targeted efforts in other sectors which can build on existing strengths.

Trade

Like the construction sector, Ontario-wide growth in this sector is expected to be relatively strong, but it is a sector with a low degree of targetability. Growth will be related to growth in the population base, which in turn depends on employment opportunities. This sector does not warrant targeted efforts.

Finance, Insurance and Real Estate

This sector is still undergoing restructuring, so it is expected to offer only moderate growth opportunities through 2006 in terms of new business. There is still risk of job losses within the existing base. Some parts of the sector (such as real estate and local finance and insurance operations) have low targetability, as they serve the existing population base. There is, however, some potential to attract "head office" operations from larger financial institutions and insurance companies. At present, however, with a higher realty tax base, and higher land and labour costs, Hamilton-Wentworth does not offer any substantial advantages to those considering locating as part of their restructuring efforts. As with attracting the communications industry, any targeted efforts would likely be more costly than efforts in other sectors which can build on existing strengths.

Government, Education and Health/Welfare Services (i.e. Public Sector)

The public sector is expected to be a low growth sector in Ontario through 2006. As in large part it is related to the population base in a local area, it does not warrant targeted efforts. There are risks of additional job losses in this sector over the short-term, but an expanding population base, and more government spending as fiscal problems are brought more firmly under control will lead to moderate growth again over the medium term.

Accommodation, Food and Beverage Services (i.e. Tourism)

The tourism sector is expected to exhibit above average growth, and create the fourth largest number of jobs in Ontario. This sector offers moderate targetability, particularly related to the convention aspect. It is also currently an important sector in the Hamilton-Wentworth economy (ranking 6th).

Hamilton-Wentworth's competitive advantages in this sector, however, are currently not favourable with respect to costs of new development, labour costs and realty taxes. Moreover, Hamilton-Wentworth is generally not perceived as a "tourist" spot, a perception which will not be easily overcome.

Hamilton-Wentworth, however, does have the advantage of providing a lower cost convention "base of operation" option compared to a centre such as Toronto, while still providing access to tourist attractions in both Toronto and Niagara Falls within a 1 hour distance. It also has existing convention facilities which can be tapped. This sector warrants targeted efforts.

Business Services

This is a wide ranging group, which includes such activities as management and other consulting, architects and engineers, lawyers, advertising, accounting, computer services, personnel agencies, etc.

This sector is expected to have the highest growth rate, and create the largest number of jobs in Ontario over the next 10 years. This alone makes it an important sector and warrants targeted efforts. The growth in this sector at least in part reflects outsourcing of functions (for example, in the manufacturing and FIRE sectors) previously done in-house in the pursuit of reducing on-going costs.

In large part, business services have low targetability, in that they service other business in the local economy. However, improving telecommunications make it less and less critical for some business services to be located in close proximity to their clients (such as consulting, advertising, etc). At present, however, Hamilton-Wentworth does not have a lot of advantages to make it relatively more attractive to businesses.

Other Services

This sector includes such services as entertainment, personal/household services, and membership organizations. Next to business services, this sector is expected to have the second highest rate of job creation through 2006. However, it is a sector that is largely servicing the local population; as such it has low targetability. Targeted efforts for this sector are not warranted.

CHAPTER 5: SUMMARY OF KEY FINDINGS AND IMPLICATIONS

In this section, the key results of the analysis are summarized, as well as their implications for the Regional Municipality of Hamilton-Wentworth.

KEY FINDINGS

The following summarizes the key findings of the analysis:

- **The Hamilton-Wentworth economy has underperformed the Ontario average since the early 1980s**

Hamilton-Wentworth posted no net gain in jobs between 1981 and 1996, a time when the Ontario-wide average annual rate of job growth was 1.6%. As a result, Hamilton-Wentworth's share of total Ontario employment fell from 4.8% in 1981 to 3.9% in 1996.

- **And has fared the poorest of the competitive markets examined**

Among the 15 Southern Ontario markets considered in this analysis, Hamilton-Wentworth exhibited the poorest job creation rate over the 1981-1996 period as a whole.

- **Restructuring in the steel industry was an important factor**

The massive job losses in the steel industry - one of Hamilton-Wentworth's most important sectors - played an important role in its underperformance. This situation was exacerbated by restructuring in the manufacturing sector in general, and the broader economic slowdown in the early 1990s. While restructuring in the steel industry was hard on the local economy, it was necessary to maintain competitiveness and guarantee the longer-term survival of this industry in the Hamilton area.

- **The smaller municipalities have fared better than the City of Hamilton**

The relatively weaker longer-term job performance of the Hamilton-Wentworth economy since 1981 was focused in the City of Hamilton, where the restructuring in the steel sector played a major role. Each of the other five Hamilton-Wentworth municipalities posted impressive job growth over the 1981-1996 period, in most cases well above the Ontario-wide growth rate.

- **Some recovery has taken place since 1996**

Benefiting from a low dollar, low interest rates and a buoyant U.S. economy, the Hamilton area economy has posted improvement over the past two years.

- **The Ontario economy is poised for relatively healthy growth through 2006**

The Ontario economy is positioned to experience relatively buoyant growth in the period through 2006. While 1999 is expected to be an adjustment year after the buoyancy of 1997 and 1998, solid growth in real GDP and employment in the 3 percent and 2 percent range, respectively, is expected on average per year in the 2000-2006 period.

- **The primary metals sector is expected to continue to underperform in terms of job growth**

While some positive growth is expected Ontario-wide in jobs in the primary metals sector over the 1996-2006 period, the rate of growth is projected to lag the average for all sectors.

Business services are expected to lead in terms of both relative job creation rates and the absolute number of jobs being created. While the communications sector is expected to post the strongest output growth, the "high tech" nature of this sector indicates the gains will be due to productivity gains, not by the net addition of more workers to the sector.

- **Hamilton-Wentworth's relative performance will depend on the extent to which it can capitalize on its competitive advantages, and reduce its disadvantages**

While Hamilton-Wentworth underperformed in terms of job growth in the past, this does not mean that it will continue to do so in the future. Hamilton-Wentworth's relative performance will depend on the extent to which it can capitalize on its competitive advantages, and reduce its disadvantages.

- **Hamilton-Wentworth has several factors that make it an attractive place to do business relative to other major Ontario markets**

There are several factors which make Hamilton-Wentworth an attractive place to do business within Southern Ontario, such as its lower cost of living, lower construction and electricity costs, its proximity to key markets, its expanding road network and its full range of major transportation facilities.

- **But it also has competitive disadvantages to overcome**

There are other factors, however, which detract from Hamilton-Wentworth's competitiveness, such as, in general, relatively higher labour costs/lower productivity and higher realty taxes. While labour costs/productivity are not directly under the control of The Region and its municipalities, realty taxes are.

IMPLICATIONS FOR HAMILTON-WENTWORTH

The key implications of the analysis for the Regional Municipality of Hamilton-Wentworth are:

- **The potential for attracting new business to the Region is there - but so too are the risks of losing existing businesses**

The foregoing analysis indicates that there will be some opportunities for Hamilton-Wentworth to attract new business to the Region, or expansions among existing businesses, particularly in the manufacturing and business services sectors. These opportunities will be realized if Hamilton-Wentworth can develop strategies to build on its competitive advantages.

However, because of its competitive disadvantages with respect to some factors, there are also risks that Hamilton-Wentworth could lose some existing businesses to markets that compare more favourably. Any strategies developed to ensure the Region's future economic health, therefore, need to take a "two-pronged" approach (i.e. attract new businesses, while retaining existing businesses). Those initiatives that can benefit both new and existing businesses would have the most beneficial impact.

- **Targeted efforts are required to maximize the opportunities and minimize the risks**

Targeted efforts will be required on the part of the Regional Municipality of Hamilton-Wentworth to maximize the potential opportunities and minimize the potential risks. The development of specific strategies is beyond the scope of this study. However, these efforts should focus on:

- how best to build on Hamilton-Wentworth's existing strengths; and
- ways in which cost or other disadvantages which fall within the Region's control can be reduced/removed.

- **A first step in devising a strategy to build on Hamilton-Wentworth's existing strengths is to identify which types of businesses can take the most advantage of these strengths**

An initial initiative that might be undertaken to build on existing strengths would be to identify those "high opportunity" sectors which rely more heavily on the factors for which Hamilton-Wentworth has a competitive advantage. For example, it was shown that there will be opportunities to attract new manufacturing to the area. Rather than efforts targeted generally at manufacturing, it might be more productive to focus on those types of manufacturing that have higher relative costs related to those costs for which Hamilton-Wentworth has a comparative advantage (such as electricity costs), or a greater reliance on the other factors where Hamilton-Wentworth has a competitive advantages (e.g. distance to markets, port and International airport facilities, etc.). With this information, any initiatives could be structured to target these particular subsectors by extolling the specific advantages of Hamilton-Wentworth specifically for that subsector.

- **The first step that can be taken to reducing business costs that are under the control of the Region is to look at the potential for reducing realty taxes**

The first step in devising a strategy to reduce or eliminate the cost differentials between Hamilton-Wentworth and other Southern Ontario markets should be related to realty taxes. Reduced realty taxes present one of the best opportunities for increasing Hamilton-Wentworth's attractiveness in the short term.

As shown earlier, realty taxes in Hamilton-Wentworth are typically higher than in the other competitive markets examined, and put it at a disadvantage in terms of its attractiveness as a place to do business. Realty taxes are currently one of the key differentiating factors between markets in Southern Ontario. Moreover, it is a cost which has a negative perception associated with it - businesses simply do not like to pay taxes.

Realty taxes are within the control of the Regional Municipality of Hamilton-Wentworth and its local municipalities. As such, they offer a direct opportunity for enhancing the Region's attractiveness to business. Of course, reducing realty taxes has implications on the revenues of the Region, which will also need to be taken into consideration.

The first steps in assessing reductions in realty taxes might include:

- **Conduct a study of businesses to determine the actual importance of realty taxes in their cost structure and location decision-making:** the KPMG study did not find realty taxes to be a key contributor to on-going business costs for the types of larger businesses analyzed. However, it might be a more important cost factor for smaller businesses. Moreover, because of the negative view of taxes in general, they may play a relatively more important role than cost structure alone would suggest in the location decision-making process. Discussions with local businesses, as well as some other businesses who had considered Hamilton-Wentworth but ultimately decided not to locate in the region, might help to pinpoint the exact role that realty taxes play in the decision-making process. Care, however, would have to be taken to ensure that the results represent what businesses actually do, rather than what they say they did or would do.
- **Undertake an examination of the Region's costs relative to the other competitive markets:** Realty taxes can only be reduced if costs are reduced. The Regional Municipality of Hamilton-Wentworth is currently examining how its costs compare with other jurisdictions, which will help to pinpoint areas where there may be potential for cost savings.
- **Investigate the role reduced realty taxes may have played elsewhere in attracting/retaining businesses:** if reduced realty taxes encourage more businesses to locate in the Region, then there will be increased tax revenues from these new businesses which will help to offset lower general tax rates. An investigation of what has occurred in other municipalities which have lowered tax rates could provide some guidance as to what Hamilton-Wentworth might expect in terms of attracting new businesses, as well as retaining existing ones.



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